



CITY OF STOCKTON



FY 2017-18 COMPREHENSIVE ANNUAL FINANCIAL REPORT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018
CITY OF STOCKTON, CALIFORNIA**

Prepared and Issued by
Administrative Services Department

MATT PAULIN
Chief Financial Officer





INTRODUCTORY SECTION

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INTRODUCTORY SECTION (UNAUDITED)

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CITY OF STOCKTON

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December 27, 2018

To the Honorable Mayor,
City Council, Audit Committee and the
Citizens of the City of Stockton, California

The Stockton City Charter, federal grant regulations and agreements with investors, require the City of Stockton, California (“City”) to 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. Under those requirements, we respectfully submit the Comprehensive Annual Financial Report (“CAFR”) of the City of Stockton for the fiscal year (“FY”) ended June 30, 2018.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the data, as presented, is accurate in all material aspects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. This report contains all disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs.

An overview of the City’s financial activities for the fiscal year is discussed in detail in the Management’s Discussion and Analysis (“MD&A”) section of the CAFR.

PROFILE OF THE GOVERNMENT

The City of Stockton is located in the center of California’s San Joaquin Valley and is the seat of San Joaquin County. Stockton is located about 80 miles east of the San Francisco Bay Area and 40 miles south of Sacramento, the Capitol of California.

One of the oldest cities in the State of California, Stockton was founded in 1849 and incorporated in 1850. In 1888, the voters approved Stockton’s first local Charter, which was ratified by the State Legislature in 1889. The current Charter was approved by the voters in November 1922 and became effective in 1923. This Charter changed the City from a commission form of government to the current City Council-City Manager form of government. Under the Council-Manager form of government, the City Council has policy-making and legislative authority. Representatives from six districts are chosen by district election, with the Mayor being chosen by citywide 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, appointing department heads and overseeing the operation of the City. The City Council appoints the City Manager, City Attorney, City Auditor, and City Clerk.

The City Charter has been amended many times since 1922, with the most recent amendments approved by voters in November 2016. Those amendments eliminated city-wide voting for council districts, modified the Mayor’s compensation, powers, and duties, and made several changes related to budget and fiscal affairs.

The City provides a full range of municipal services including police and fire protection, community development, economic development, and affordable housing, public works and street maintenance, parks, recreational services, libraries, and water, wastewater and stormwater utilities. The City serves approximately 55% of water accounts in the City while the California Water Service Company, an investor-owned company, provides water service to 42%, and San Joaquin County provides water service to the remaining 3%.

This report includes the financial activity of the Stockton Public Financing Authority, a separate legal entity controlled by the City. The City reports the Successor Agency to the Redevelopment Agency of the City of Stockton's financial statements as a private-purpose trust fund in these financial statements.

The Council is required to adopt an annual budget following a public hearing to review the proposed annual budget. This annual budget serves as the foundation for the City's financial planning and control. The City prepares the budget by fund, function and department, e.g., Police. Department heads may transfer budget appropriations within a department as they see fit. Transfers between General Fund departments, however, need City Council approval. Outside the General Fund, the City Manager has authority to transfer budget appropriations at the fund level.

THE LOCAL ECONOMY

The City encompasses nearly 65 square miles and is surrounded by the fertile lands of the San Joaquin Valley and is home to the furthest inland deep-water seaport in California. The City has a diversified economic base as a regional center for commerce, both in agricultural and manufacturing export trade activities. Its distribution of sales tax-producing businesses generally mirrors the average of all California cities. The University of the Pacific, California State University-Stanislaus-Stockton campus, Humphries College and San Joaquin Delta Community College are all located in Stockton. Four school districts serve K-12 students within the City limits.

In January 2018, Stockton's population was 315,103 according to the California Department of Finance, which represents a 1.1% increase over last year's population estimate of 311,724. The latest University of the Pacific (UOP) forecast (unless otherwise noted, all economic data is from UOP's Center for Business and Policy Research October 2018 California and Metro Forecast Report) projects that the population in the Stockton metropolitan area will continue to increase at a rate of approximately 1.3% through 2022. As the 13th largest city in California, Stockton is comparable in size to other cities such as Pittsburgh, St. Paul, Cincinnati, and Buffalo.

The Stockton metropolitan area, which includes the City of Stockton and the surrounding areas, will continue to experience solid economic growth. Non-farm employment growth is on track for a 3.1% gain in 2018 and is projected to remain above 2% in San Joaquin County in 2019, well above the California average of 1.6%. The Stockton metropolitan area is one of only three such areas in the United States that has more warehouse and transportation jobs than retail jobs, the others being Memphis, Tennessee, and Laredo, Texas.

The area's unemployment rate is expected to continue to decrease, from 5.9% in 2018 to 5.4% in 2019 and remain below 6% through 2022. Unemployment rates remain higher than the 2018 State of California average of 4.2%. However, the Stockton metropolitan area experienced the fourth largest percentage increase in job growth (12.6%) in California over the last ten years, trailing only San Francisco, San Jose, and the Inland Empire metropolitan areas.

The average annual wage in the Stockton area is expected to be \$54,507 in 2018, an increase of 2.8% from the previous year. Per capita income, expected to be \$42,800 in 2018, will increase each year through 2022, reaching \$49,300 in 2022.

Housing starts are expected to continue to increase in 2018, and stay relatively level through 2022. Zillow indicates the median home value in Stockton is approximately \$293,000, which represents a 10.2% increase over the past year. Home prices are expected to continue to rise in 2019 by 4.5% with sales volume staying stable.

FINANCIAL CONDITION HIGHLIGHTS

Financial results for the year compare favorably with budget estimates in most areas of the City's operations. For the General Fund, financial results for the year were better-than-estimated. Expenditures (including encumbrances and carryovers and other uses of funds) came in 6.7% under budget. Revenues (including other sources of funds) were 2.1% above projections. As a result, the General Fund balance at June 30, 2018 (excluding related funds), of \$53.1 million was combined with prior year reserve funds of \$25.9 million for a total of \$79 million available to fund reserves. In addition to the General Fund reserves, the City deposited \$18.6 million into its PARS Public Agencies Post-Employment Benefits Trust, an IRS Section 115 trust that is restricted for pension costs. The \$79 million is sufficient to fund the 17% operating reserve (\$36.8 million) and set aside \$37.2 million for known contingencies and \$5 million for the other reserve categories.

The City Council has a reserve policy that calls for the City to maintain a 17% operating reserve and establishes additional reserves for known contingencies, unforeseen revenue changes, infrastructure failures, and catastrophic events. Additionally, the policy establishes an automatic process to deposit one-time revenue increases and expenditure savings into the reserves. These policies are consistent with the Government Finance Officers' Association (GFOA) best practice recommendations and Governmental Accounting and Standards Board (GASB) guidance.

The Statement of Net Position (revenues and sources of funds less expenses and uses of funds) for the City is approximately \$1.28 billion. The City's net position is approximately \$79.5 million higher, or 6.6%, than the prior fiscal year, mostly in Governmental Activities.

The City's Long-Range Financial Plan

The City maintains a comprehensive and detailed 30-year Long-Range Financial Plan ("L-RFP"), which provides a long-term forecast for the City's General Fund and the impacts of other funds on the General Fund. The L-RFP is an important tool and reflects the City's commitment to fiscal health and sustainability. This financial model is used to evaluate the immediate impact of budgetary decisions as well as the ongoing costs of those decisions over multiple years. The L-RFP was based on the City's bankruptcy exit plan, or Plan of Adjustment, which included certain assumptions and agreements reached with creditors. Since its development, the L-RFP has become a dynamic tool that is updated based on current revenue and expenditure trends. Though the individual variables and assumptions may change over time, the L-RFP provides a consistent model to forecast the City's fiscal position.

A summary of the L-RFP is available on the City's website:

<http://www.stocktonca.gov/government/departments/adminservices/budLrfp.html>

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

The City's Irrevocable Post-Employment Benefits Trust

On November 7, 2017, the City created an irrevocable post-employment benefits trust program, also known as an Internal Revenue Code Section 115 trust (Trust) and deposited \$21.2 million (\$18.6 million General Fund) into the Trust. This Trust is designed to pre-fund pension costs and offset GASB 68 net pension liabilities. The Trust allows the City to set aside funds through a tax-exempt funding mechanism to mitigate long-term contribution rate volatility. The Trust will allow the City to control the assets and when the City utilizes them. Also, the statutory investment restrictions that apply to the City's investment portfolio are not applicable to assets held in a post-employment benefits trust. The City will strive to accrue an amount in the Trust sufficient to fund annual CalPERS costs during economic downturns or other periods when annual revenues are forecast to be insufficient.

Measure M, a Voter Approved ¼ Cent Transactions and Use Tax (Sales Tax)

In November 2016, Stockton's voters approved Measure M, which is estimated to generate approximately \$9 million annually for 16 years. Measure M established a maintenance of effort requirement, a minimum General Fund spending level, and limited the City's use of new revenues to library and recreation services. Library and recreation services had been significantly reduced by the City during bankruptcy and the Great Recession. During 2017-18, the City began using Measure M funds to increase operating hours at libraries and recreation centers, add staff to support expanded library and recreation services, and begin design for a new library and recreation center that will be opened sometime in 2021.

Access to the Financial Markets

In August 2018, Standard & Poors upgraded its ratings on debt backed by the City's General Fund four notches (from B- to BB), with a continuing positive outlook. Bond ratings for debt issued by the City's Municipal Utilities Department also remained stable with ratings of A or A- and a revised outlook to positive. The City accessed the financial market three times in 2018. The first transaction was the refunding of \$170 million of outstanding water bonds mainly related to the construction of the Delta Water Treatment Plant. The other two transactions were land-based issuances of \$25 million

and \$3.5 million respectively that supported industrial development.

The Federal Reserve increased its benchmark interest rate three times in 2018 with another increase possible in December. The City does not anticipate any bond issuances backed by the General Fund; however, the City does have a \$205 million design-build project to upgrade its Wastewater facilities underway, portions of which may be bond-financed.

RESERVE POLICIES

The City's General Fund reserve policy calls for the City to maintain a 17% operating reserve (approximately two months of expenditures) and establishes additional reserves for known contingencies, unforeseen revenue changes, infrastructure failures, and catastrophic events. The known contingencies include amounts to address staff recruitment and retention, future CalPERS costs, replacement of public safety radio infrastructure, and replacement of the City's financial system. Approximately \$177 million would be needed to fund all of the reserve categories fully, and on November 6, 2018, the City placed \$79 million into reserves. The City had previously committed an additional \$18.6 million towards pension costs by depositing that amount in the City's Public Agencies Post-Employment Benefits Trust. Combined, the City has set aside nearly \$100 million for future expenditures and protection against economic uncertainties.

The policy establishes an automatic process to deposit one-time revenue increases and expenditure savings into the reserves. These policies are consistent with GFOA best practice recommendations and GASB guidance.

The reserve policy is available on the City's website at:

http://www.stocktonca.gov/files/General_Fund_Reserve_Policy.pdf

DEBT POLICY AND ANNUAL CONTINUING DISCLOSURES

The City's debt policy is available on its website as follows:

http://www.stocktonca.gov/files/Capital_Financing_Debt_Management_Policy.pdf

The City's annual financial disclosures are available on the Municipal Securities Rulemaking Board's and Electronic Municipal Market Access website at <http://emma.msrb.org>.

INVESTMENT POLICY

The City adopts an investment policy annually that provides guidelines for the prudent investment of the City's cash balances. The City contracts with Public Financial Management for the management of the City's long-term investment portfolio. The Administrative Services Department oversees both the City's long-term investment portfolio management and liquid cash requirements.

The City's investment policy is posted on the City's website:

http://www.stocktonca.gov/files/Investment_Policy_Final_080817.pdf

CASH AND INVESTMENTS

The California Government Code and the City's investment policy adopted in compliance with that Code define how the City can invest its cash. The City's policy also outlines the principles for maximizing the efficiency of the City's cash management operations while meeting the daily cash flow demands of the City. The average overall rate of return on funds not held by fiscal agents for the fiscal year ending June 30, 2018, was .08%. This amount includes both realized and unrealized gains distributed to funds. Absent unrealized Fair Market Value gains and Accrued Interest amounts distributed on June 30, 2018, distributed returns would have been 1.19%.

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

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The GASB establishes GAAP for local and state governments in the United States and Canada. Its counterpart for private-sector entities is the Financial Accounting Standard Board. The American Institute of Certified Public Accountants and state and federal regulators require that financial reports follow GAAP to receive an unmodified audit opinion. The GFOA and the California Committee on Municipal Accounting entail additional standards that govern disclosures in the CAFR.

GAAP requires management to provide a narrative overview and analysis discussing the City's financial position to accompany the basic financial statements. This narrative overview is called Management's Discussion and Analysis (MD&A), which provides an analytical overview of the City's financial position for its major funds, as defined by GAAP, on a government-wide basis. This letter of transmittal is intended to complement the MD&A and not to duplicate the MD&A. It provides additional qualitative information on impacts to the City to help improve the reader's understanding of the information presented in the CAFR.

The City's CAFR conforms to the requirements established by GAAP, the City's Charter, GFOA standards and agreements with investors. The CAFR includes basic financial statements, footnotes, supplemental information required by GASB for GAAP financial reports, MD&A of the financial statements, the City's independent auditor's opinion regarding the conformance of the financial statements with GAAP, and other information required to conform to GFOA standards.

INDEPENDENT AUDIT

The City Charter, Article XIX, Section 1911, states: "after the close of the fiscal year, an annual audit shall be made of the City's funds. Such audit shall be made by a firm of independent certified public accountants." The Pun Group, LLP, an independent firm of licensed, certified public accountants, has audited the City of Stockton's financial statements.

The purpose of the independent audit is to obtain reasonable assurance that the City's financial statements are free of material misstatement and are fairly presented in conformity with GAAP. 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.

The independent auditors issued an unmodified opinion for the fiscal year ended June 30, 2018.

SINGLE AUDIT REPORT TO FEDERAL GRANTING AGENCIES

A broader, federally-mandated "Single Audit," designed to meet the needs of federal granting agencies, is also required. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements and 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.

The City prepares a separate single audit report in conformity with the provisions of the Federal Single Audit Act as amended and U.S. Office of Management and Budget Uniform Guidance, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." This report is filed with the federal clearinghouse on or before March 31 each year.

RISK MANAGEMENT

During FY 2017-18 the City continued its self-insurance program for General Liability and Workers' Compensation. The City is a member of the California Joint Powers Risk Management Authority for General Liability. The self-insured retention ("SIR") is \$1 million. The City is also a member of the California State Association of Counties insurance pool for excess Workers' Compensation coverage. The SIR is \$500,000. The City also obtains Property Protection as a member of the Authority's All Risks Property Protection Program which is primarily underwritten by a casualty underwriter insurance company. Coverage is up to \$400 million per occurrence with a \$25,000 deductible.

INTERNAL CONTROLS AND LIMITATIONS

The CAFR intends to provide the City Council and the public with an understanding of the City's financial position. City management assumes responsibility for the completeness, accuracy, and reliability of the information presented in this report. City management established an internal control framework intended 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.

The City's comprehensive system of internal controls continues to be the subject of ongoing review to ensure the timeliness and accuracy of the CAFR, and to improve management reporting and controls. A large number of significant and material weaknesses in the internal control structure (many due to the use of an antiquated financial system) were found and reported by management and the auditors in prior audits. The City's Finance team, along with the City's Internal Auditor (Moss Adams LLP) continues to work together to close out those prior findings and to also continually improve the City's key controls, systems, policies, and procedures.

Budgetary control is at the department level for the General Fund and the fund level for all other funds. Transfers within funds and like categories of the same department require City Manager approval. Revisions to increase appropriation authority above a department's original adopted budget require City Council approval.

ACKNOWLEDGEMENTS

This report would not have been possible without the dedicated professionals in the Administrative Services Department and the cooperation of employees from throughout the City who provided detailed information and other support and assistance.

We also want to thank the Mayor, City Council and the Audit Committee for your interest and support in planning and conducting the City's financial operations responsibly and sustainably.

Respectfully submitted,

KURT O. WILSON
CITY MANAGER

MATT PAULIN
CHIEF FINANCIAL OFFICER

CITY OF STOCKTON

CITY COUNCIL



MICHAEL TUBBS
MAYOR



ELBERT HOLMAN, JR.
VICE MAYOR
District 1



DAN WRIGHT
COUNCILMEMBER
District 2



SUSAN LOFTHUS
COUNCILMEMBER
District 3



SUSAN LENZ
COUNCILMEMBER
District 4



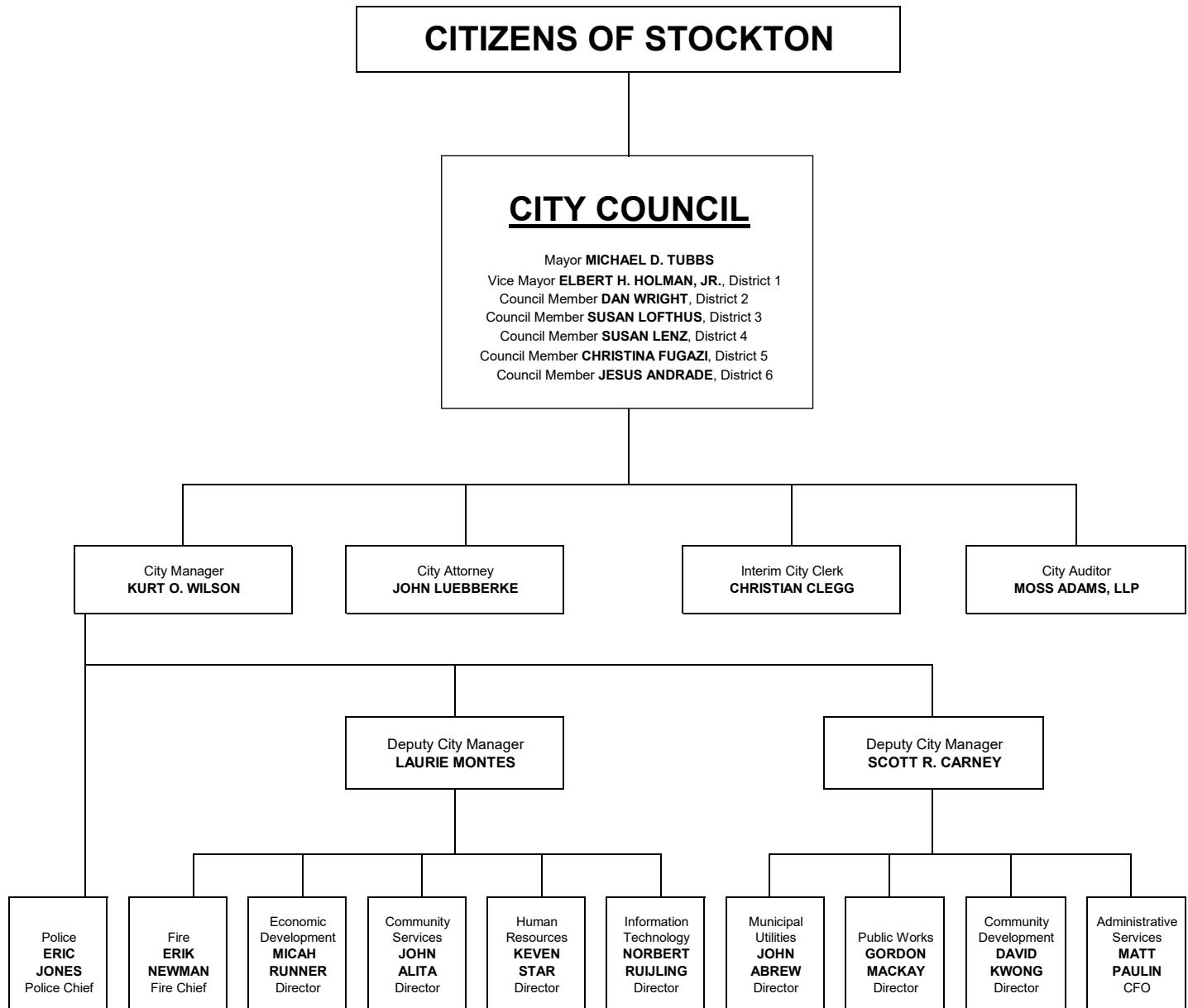
CHRISTINA FUGAZI
COUNCILMEMBER
District 5



JESUS ANDRADE
COUNCILMEMBER
District 6



CITY OF STOCKTON ORGANIZATION CHART AS OF JUNE 30, 2018







INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Honorable Mayor and the Members of the City Council
of the City of Stockton
Stockton, California
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions on pages 7 to 22 and 117 to 128 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 Nonmajor Fund Financial Statements, Schedule of Sources and Uses – Measure A and B, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Nonmajor Fund Financial Statements, and the Schedule of Sources and Uses – Measure A and B are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements, Schedule of Sources and Uses – Measure A and B are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 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 solely 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 effectiveness of 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 27, 2018





**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**

Independent Auditors' Report

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

We have audited, in accordance with the 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, the 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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in a separate *Report on Internal Control Related Matters Identified in the Audit* dated December 27, 2018, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency reported in our separately issued *Report on Internal Control Related Matters Identified in the Audit* to be significant deficiency as item 2018-01 and 2018-02.

To the Honorable Mayor and the Members of the City Council
of the City of Stockton
Stockton, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 have issued a separate *Report on Internal Control Related Matters Identified in the Audit* dated December 27, 2018, which is an integral part of our audits and should be read in conjunction with this report.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the separately issued *Report on Internal Control Related Matters Identified in the Audit*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 27, 2018





MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED



JUNE 30, 2018

INTRODUCTION

As management of the City of Stockton ("City"), we offer readers of the City's financial statements this overview and analysis of the City's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements, and the Notes to the Financial Statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide:

- The City's total net position for the governmental and business-type activities show that, as of June 30, 2018, total assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$1.28 billion. Of this amount, \$372.1 million represents the unrestricted net position, \$217.3 million is restricted for City's ongoing obligation related to programs with external restrictions and \$695.6 million represents the City's net investment in capital assets, less any related outstanding debt used to acquire those assets. In the recording of the net position for the fiscal year ended June 30, 2018, \$39.0 million has been reclassified from restricted to unrestricted which represents the Internal Service Fund balances that City Council has restricted for use in equipment replacement.
- Governmental revenues total \$352.2 million and include program revenues of \$93.3 million and general revenues of \$258.9 million. Governmental expenses were \$329.9 million.
- Business-type program revenues, other taxes, and investment earnings were \$142.4 million while business-type expenses were \$94.5 million.

Fund Level:

- The City's governmental funds reported a combined ending fund balance of \$234.4 million at the close of June 30, 2018, an increase of \$8.9 million compared with the prior fiscal year. The General Fund balance in this report as of June 30, 2018, was \$90.5 million absent encumbrances. Included in this fund balance and under the guidance of the Reserve and Fund Balance Policy – General Fund (excluding related funds), Council took action to entirely fund the priority one working capital reserve at \$36.7 million, known contingency reserves at \$37.2 and partially fund risk-based reserves at \$5.0 million.
- Governmental Fund revenues increased from the prior fiscal year by 17.1 percent. The largest increase was in the sales tax categories from Measure K project funds and full year collection of Measure M transaction tax.
- Governmental Fund expenditures increased by 9.8 percent compared to the prior fiscal year primarily due to capital improvement activity and the filling of vacant positions. New police officer positions approved in prior years continued to be filled FY 2017-18.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) *Government-wide financial statements*; 2) *Fund financial statements* and 3) *Notes to the basic financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of City finances. These statements provide both long-term and short-term information about the City's overall financial status.

The Statement of Net Position presents information on all of the City's assets, the deferred outflow of resources, liabilities and deferred inflow of resources; the difference is reported as net position.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. The City reports all changes in net position as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (i.e., accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues from uncollected taxes and expenses for earned but unused vacation leave.

This Comprehensive Annual Financial Report ("CAFR") includes the financial activity of the separate legal entity controlled by the City, the Stockton Public Financing Authority.

The Successor Agency's activities are reported as a private-purpose trust fund in the CAFR. The City Council sits as the Successor Agency to the Stockton Redevelopment Agency's Board; however, all actions about the Successor Agency's obligations are made by the Successor Agency Oversight Board, which is comprised of members representing the interests of local jurisdictions affected by redevelopment activities and revenue claims, including the City.

The government-wide financial statements can be found on pages 24-26 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance.

All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 the 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.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Fund Financial Statements, Continued

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 will understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided to facilitate this comparison for both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances.

The City maintains several individual governmental funds organized according to their category type. The governmental fund category types are the General Fund, special revenue, debt service, capital projects, and permanent funds. Information is presented separately in the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and change in fund balances for the General Fund, HOME Program Loans, Low-Moderate Income Housing City Loans and Capital Improvement funds, which are reported as major funds. Data from the remaining non-major governmental funds are combined into a single, aggregated presentation. The CAFR provides individual fund data for each of the non-major governmental funds in the form of combining statements in the later sections of this report.

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

The basic governmental fund's financial statements can be found on pages 29-33 of this report.

Proprietary funds are used to account for services for which the City charges customers – either outside customers or internal units of departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following 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 Parking Authority, which are reported as major funds. Data for the remaining non-major enterprise funds are combined into a single, aggregated presentation. Additional information is provided for each of these nonmajor enterprise funds in later sections of this report.
- **Internal service funds** are used to report activities that provide goods and services for certain City insurance, pension and other related programs and activities. The City uses internal service funds to account for its self-insurance programs, pension obligations, employee health benefits insurance, vehicle fleet, information technology systems, and radio and other equipment. Because these services predominately benefit governmental rather than business-type functions, the CAFR includes them within the governmental activities in the government-wide financial statements. The CAFR combines internal service funds into a single, aggregated presentation in the proprietary fund financial statements. The CAFR also provides individual fund information for the internal service funds in the form of combining statements in its later sections.

The basic proprietary fund financial statements can be found on pages 37-46 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Fund Financial Statements, Continued:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. It includes resources related to land-secured financing, the area of benefit fees, public facilities pass through fees and other miscellaneous fiduciary activities. The City's fiduciary funds are reported as agency funds and are not reflected in the government-wide financial statements since the resources of the funds are not available to support the City's programs and services.

The City has established a private-purpose trust fund (fiduciary fund) effective February 1, 2013, for purposes of accounting for the winding down of the Successor Agency.

The basic fiduciary fund's financial statement can be found on pages 49-50 of this report.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the financial information provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 54-116 of this report.

Other information

In addition to the basic financial statements, this report presents certain required supplementary information. This information provides a budgetary comparison schedule for the General Fund, HOME Program Loans Fund, and the Low-Moderate Income Housing City Loans Fund, as well as information about the City's participation in the PERS and PARS defined benefit pension plans.

Required supplementary information can be found on pages 117-128 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's net position may serve over time as a useful indicator of a government's financial health or financial position. As of June 30, 2018, the City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1.28 billion which is an increase of \$79.5 million or 6.6 percent compared to the prior fiscal year.

The following is the condensed statement of net position for the fiscal years ended June 30, 2018, and 2017 (amounts in thousands).

GOVERNMENT-WIDE FINANCIAL ANALYSIS***Analysis of Net Position, Continued***

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current and other assets	\$ 564,282	\$ 520,764	\$ 207,321	\$ 180,954	\$ 771,603	\$ 701,718
Capital assets	760,120	738,736	700,657	712,561	1,460,777	1,451,297
Total assets	1,324,402	1,259,500	907,978	893,515	2,232,380	2,153,015
Deferred Outflow of Resources:						
Unamortized loss on refunding of debt	420	452	1,987	2,174	2,407	2,626
Pension-related deferred outflows of resources	123,782	91,570	3,541	10,602	127,323	102,172
Total Deferrals-Outflows	124,202	92,022	5,528	12,776	129,729	104,798
Liabilities:						
Current and other liabilities	58,613	61,490	23,163	21,708	81,776	83,198
Long-term obligations	131,741	135,840	325,705	340,575	457,446	476,415
Net Pension liability	493,360	423,532	15,852	44,735	509,212	468,267
Total liabilities	683,714	620,862	364,720	407,018	1,048,434	1,027,880
Deferred Inflow of Resources:						
Deferred Rent	1,106	776	-	-	1,106	776
Pension-related deferred inflows of resources	26,574	21,152	1,007	2,545	27,581	23,697
Total Deferrals Inflows	27,680	21,928	1,007	2,545	28,687	24,473
Net position:						
Net investment in capital assets	328,284	330,655	367,317	362,886	695,601	693,541
Restricted	170,507	124,765	46,805	50,904	217,312	175,669
Unrestricted (deficit)	238,421	253,312	133,656	82,938	372,077	336,250
Total net position	\$ 737,212	\$ 708,732	\$ 547,778	\$ 496,728	\$ 1,284,990	\$ 1,205,460

The primary components of the City's net position consist of the following elements:

- The investment in capital assets (e.g., infrastructure, land, buildings, improvements other than buildings, construction in progress, and equipment), less any related debt used to acquire assets still outstanding, represents the largest portion of the City's net position of \$695.6 million or 54.1 percent. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports its investment in its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources because proceeds from the sale of capital assets are not used to liquidate these liabilities.
- External restrictions represent \$217.3 million or 16.9 percent of net position and are subject to various external restrictions on how they may be used. Creditors, grantors, contributions or laws and regulations of other governments have imposed this component of the net position; or it has been imposed by law through enabling legislation or constitutional provisions. The Internal Service Funds balance of \$39.0 million was reclassified to unrestricted in the fiscal year ended June 30, 2018.

GOVERNMENT-WIDE FINANCIAL ANALYSIS***Analysis of Net Position, Continued***

- The unrestricted net position of \$372.1 million or 29.0 percent can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The current year includes \$39.0 million for equipment replacement in the internal service funds that was not considered unrestricted in the prior year. While these assets are technically unrestricted, most of these assets are designated for a specific use.

Information about changes in net position for FY 2017-18 and FY 2016-17 is summarized below. The CAFR discusses the reasons for the changes in the sections for governmental activities and business-type activities.

The following table indicates the change in net position for governmental and business-type activities (amounts in thousands):

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 59,464	\$ 40,886	\$ 130,687	\$ 121,576	\$ 190,151	\$ 162,462
Operating grants and contributions	12,402	12,566	3,855	3,889	16,257	16,455
Capital grants and contributions	21,426	17,591	6,245	2,971	27,671	20,562
General revenues:						
Property taxes	33,112	32,411	-	-	33,112	32,411
In lieu of sales tax	-	-	-	-	-	-
Utility user taxes	35,415	34,455	-	-	35,415	34,455
Sales and use taxes (City levied)	52,788	42,506	-	-	52,788	42,506
Franchise taxes	13,243	13,289	-	-	13,243	13,289
Business licenses	13,507	12,243	-	-	13,507	12,243
Hotel/motel room taxes	3,193	2,997	-	-	3,193	2,997
Document transfer taxes	1,078	801	-	-	1,078	801
Other taxes	2,916	1,940	1,271	1,292	4,187	3,232
Motor vehicle fees in lieu	29,091	21,423	-	-	29,091	21,423
Sales and use taxes (State levied)	68,467	49,910	-	-	68,467	49,910
Other shared revenue	165	44	100	-	265	44
Investment earnings	899	1,966	233	131	1,132	2,097
Miscellaneous	4,083	2,820	-	-	4,083	2,820
Loss on sale of capital assets	(203)	578	20	(1,156)	(183)	(578)
Transfer from Successor Agency	734	-	-	-	734	-
Total revenues	351,782	288,426	142,411	128,703	494,191	417,129
Expenses						
General government	37,259	33,378	-	-	37,259	33,378
Public safety	212,181	154,932	-	-	212,181	154,932
Public works	38,435	45,670	-	-	38,435	45,670
Library	12,301	10,904	-	-	12,301	10,904
Parks and recreation	23,753	22,481	-	-	23,753	22,481
Interest and fiscal charges	5,964	4,288	-	-	5,964	4,288
Water utility	-	-	39,526	42,886	39,526	42,886
Wastewater utility	-	-	41,648	50,545	41,648	50,545
Stormwater utility	-	-	4,729	5,288	4,729	5,288
Central parking district	-	-	5,310	5,641	5,310	5,641
Other	-	-	3,299	3,235	3,299	3,235
Total expenses	329,893	271,653	94,513	107,595	424,405	379,248
Increase/(decrease) in net position before transfers	21,889	16,773	47,898	21,108	69,786	37,881
Transfers	389	654	(389)	(654)	-	-
Special Item:	6,203	10,237	3,540	-	9,743	10,237
Change in net position	28,481	27,664	51,049	20,454	79,529	48,118
Net position, beginning, original	708,732	636,169	496,728	469,393	1,205,460	1,105,562
Prior period adjustment	-	44,899	-	6,881	-	51,780
Net position, beginning, as restated	708,732	681,068	496,728	476,274	1,205,460	1,157,342
Net position, end of year	\$ 737,213	\$ 708,732	\$ 547,777	\$ 496,728	\$ 1,284,990	\$ 1,205,460

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED***Analysis of Net Position, Continued***

Governmental activities: The change in net position increased by \$28.5 million compared to the prior fiscal year due to these significant variances:

- Total governmental activities revenues have increased by \$62.6 million or 22.0 percent compared to the prior fiscal year. The increases were mostly attributable to sales tax revenues for capital projects, a full year of collection for the Measure M transaction tax, increased sales tax revenue, grant program revenues, increased development activity, and debt refinancing.
- Capital grants and contributions increased from the prior year primarily due to \$15 million in additional Measure K revenues.
- Total governmental activities expenses show an increase of \$58.2 million. Capital outlay activities accounted for more than \$20 million of the increase. Approximately \$9 million is the result of an increase in filled positions in the Police Department and \$4 million is an increase in the Fire Department attributable to wildland fire overtime and filled positions.
- Special items are a result of the transfer of remaining proceeds from closed assessment districts to the City of \$6.2 million.

Business-type activities: The change in net position increased by \$51.1 million compared to the prior fiscal year due to water rate increases to cover operating costs and capital commitments.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. This analysis should be read in conjunction with fund financial statements beginning on page 29.

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 to provide services. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net spendable resources.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The statement provides fund balance categories and classifications as non-spendable, restricted, committed, assigned and unassigned (Note 10). The fund balance note disclosures also give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The financial analysis information provided in the following tables are useful in assessing the City's financing requirements. In particular, committed, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

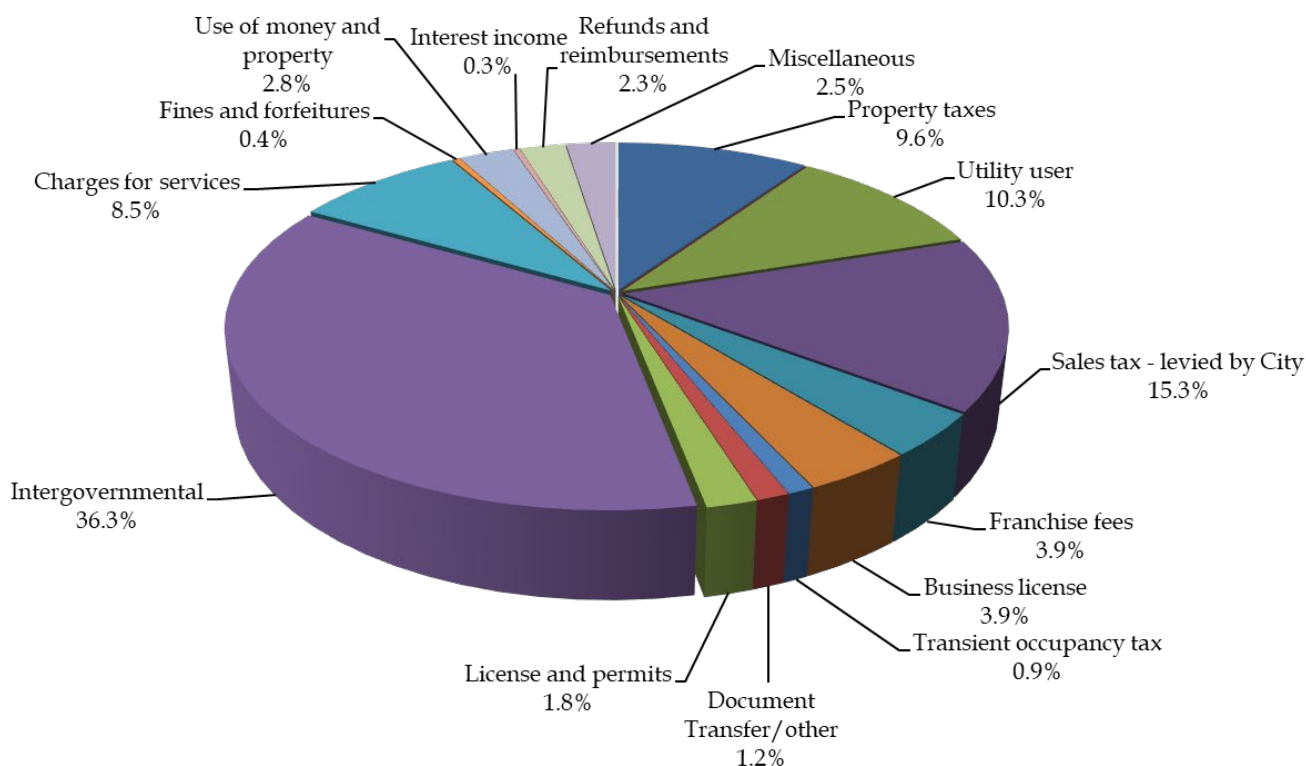
FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued

As of June 30, 2018, the City's governmental funds reported a combined ending balance of \$234.4 million, an increase of \$8.8 million compared to the prior fiscal year. The total fund balance of the governmental funds consists of the following:

- The non-spendable fund balance of \$1.67 million were amounts that inherently cannot be spent such as inventories and prepaid items. Also, long-term loans and notes receivable, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Restricted fund balance of \$148.3 million that is based on restrictions imposed by external parties or enabling legislation.
- Committed fund balance of \$45.9 million was constrained for a specific purpose by the City Council through resolution. It would require action by the same group to remove or change the constraints placed on the resources.
- Assigned fund balance of \$2.2 million was constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. The amount reported as assigned should not result in a deficit in the unassigned fund balance.
- The unassigned fund balance of \$36.3 million includes \$35.6 million for the working capital reserve established in the Reserve and Fund Balance Policy-General Fund to accommodate normal fluctuations in the timing of revenues and unforeseen operational costs.

Revenues – The following table presents revenues (amounts in thousands) classified by source with a comparison to the prior fiscal year:



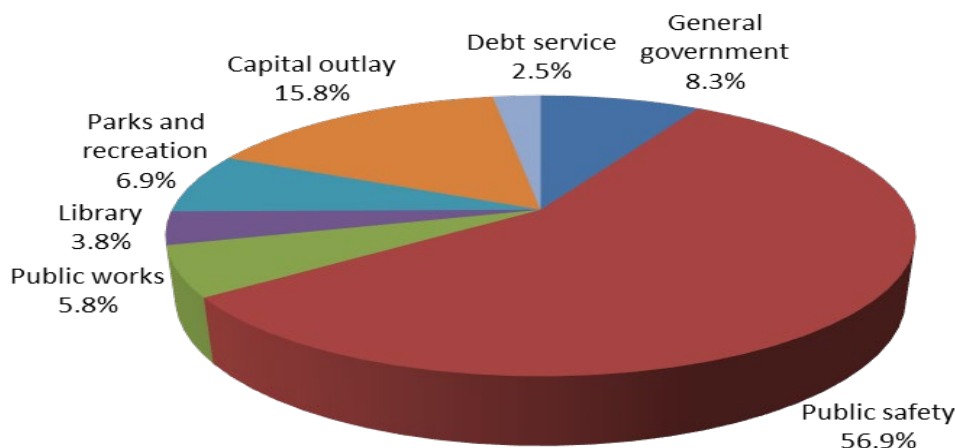
FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED***Governmental Funds, Continued***

Revenue by Source	2018		2017		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Property taxes	\$ 33,112	9.6%	\$ 32,411	11.0%	\$ 701	2.2%
In lieu of sales tax	-	0.0%	-	0.0%	-	0.0%
Utility user	35,415	10.3%	34,455	11.7%	960	2.8%
Sales tax - levied by City	52,788	15.3%	42,506	14.5%	10,282	24.2%
Franchise fees	13,243	3.9%	13,289	4.5%	(46)	-0.3%
Business license	13,507	3.9%	12,243	4.2%	1,264	10.3%
Transient occupancy tax	3,193	0.9%	2,997	1.0%	196	6.5%
Document Transfer/other	4,043	1.2%	2,740	0.9%	1,303	47.6%
License and permits	6,214	1.8%	5,867	2.0%	347	5.9%
Intergovernmental	124,831	36.3%	100,343	34.2%	24,488	24.4%
Charges for services	29,377	8.5%	22,920	7.8%	6,457	28.2%
Fines and forfeitures	1,247	0.4%	1,164	0.4%	83	7.1%
Use of money and property	9,528	2.8%	8,197	2.8%	1,331	16.2%
Interest income	1,063	0.3%	1,762	0.6%	(699)	-39.7%
Refunds and reimbursements	7,887	2.3%	6,077	2.1%	1,810	29.8%
Miscellaneous	8,596	2.5%	6,745	2.3%	1,851	27.4%
Total	\$ 344,044	100.0%	\$ 293,716	100.0%	\$ 50,328	17.1%

The following bullets provide an explanation of significant changes in revenues compared with the prior fiscal year:

- Sales tax – levied by City shows an increase from the first full year collection of Measure M transaction taxes and general growth in transaction tax revenues.
- Intergovernmental revenues were higher than the prior year with the receipt of Measure K funds for capital projects, additional Gas Tax revenues from the state, and general growth in sales tax activity.
- The increase in Charges for Services reflects growth in development activity with revenues for public facility fees and construction permits.
- Miscellaneous revenues increased primarily due to the transfer of remaining proceeds in closed assessment districts to the City.

Expenditures - The following table presents expenditures (amounts in thousands) by function compared with the prior fiscal year:

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED***Governmental Funds, Continued***

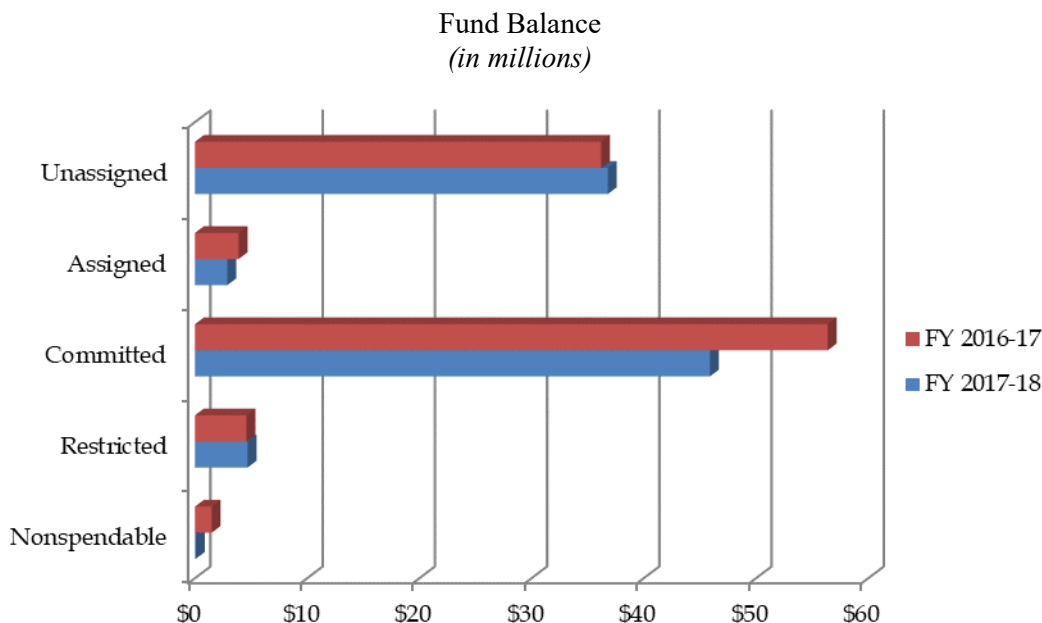
Expenditures by Function	2018		2017		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	\$ 26,761	8.3%	\$ 29,235	9.9%	\$ (2,474)	-8.5%
Public safety	184,426	56.9%	171,073	58.0%	13,353	7.8%
Public works	18,852	5.8%	15,818	5.4%	3,034	19.2%
Library	12,416	3.8%	10,619	3.6%	1,797	16.9%
Parks and recreation	22,462	6.9%	20,493	6.9%	1,969	9.6%
Capital outlay	51,210	15.8%	31,407	10.6%	19,803	63.1%
Debt service	7,971	2.5%	16,465	5.6%	(8,494)	-51.6%
Total	\$ 324,098	100.0%	\$ 295,110	100.0%	\$ 28,988	9.8%

The following bullets explain the expenditures that changed significantly compared with the prior fiscal year.

- Public safety expenditures have increased by \$13.4 million due to continued implementation of the Marshall Plan with successful hiring of police positions. Fire Department expenditures were also higher due to wildland fire assistance provided throughout the state.
- Public works expenditures were higher as a result of additional Gas Tax and Measure K revenues.
- Capital outlay expenditures increased by \$19.8 million compared to the prior fiscal year primarily due to \$13.7 million spent on the acquisition of Waterfront Office Towers building, \$6 million in additional Measure K-funded capital projects, and various other capital projects including Thornton Road Widening and University Park improvements.
- General government and debt service expenditures decreased by \$8 million due to refunding of the 2003 A and B Certificates of Participation in the prior fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED***Governmental Funds, Continued*****General Fund**

Below is a graph that depicts the change in General Fund balances between FY 2016-17 and FY 2017-18. The restricted balance has increased from the prior fiscal year while the unassigned and committed balances decreased.



NOTE: Does not include PARS 115 Trust

The City's General Fund provides police, fire, development, public works, and administrative services to the City's residents, other funds, businesses, and visitors. The General Fund is distinct from other funds because it is the only source of unrestricted funds that the City Council can allocate at its discretion for any municipal purpose.

General Fund revenues were \$242.1 million at the close of June 30, 2018, an increase of \$13.5 million (5.9 percent) compared to the prior fiscal year. Significant changes in General Fund revenues compared with the prior fiscal year included:

- Other governmental revenues increased \$4.1 million with additional funding from San Joaquin County of \$1.8 million for library system operations, \$1.5 million from Motor Vehicle-in-lieu revenues, and \$680,000 from wildland fire reimbursements.
- Sales and use tax levied by state increased \$3.5 million based on growth in the Building and Construction, Business and Industry, and Fuel and Service Station categories. Sales tax levied by the City was also impacted by this growth resulting in additional revenues of \$1.7 million.
- Business license revenues increased by \$1.1 million over the prior year due to increased economic activity.
- Utility user taxes increased by \$960,000 due to utility rate increases.
- Property tax revenues increased by \$656,000 due to a steady increase in property values.

General Fund expenditures were \$220.8 million, an increase of \$10.1 million, 4.8 percent, compared to the prior fiscal year. Additional Police Department salary and benefits expenditures associated with the continued implementation of the Marshall Plan largely drove the increase.

Proprietary Funds

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements but in more detail. At the end of June 30, 2018, the net position of business-type activities was \$547.8 million, an increase of \$51.0 million or 10.2 percent compared to the prior fiscal year.

The assets and deferred outflows of resources decreased by \$7.2 million. Of this amount, the current cash and investments and other current assets increased by \$30.5 million and non-current assets including capital assets and deferred outflows decreased by \$16.0 million, primarily due to the disposal and depreciation of capital assets.

The liabilities and deferred inflows of resources decreased by \$43.8 million due primarily to the principal payments made on debt and pension-related adjustments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's FY 2017-18 General Fund Adopted Budget funded the City's most pressing needs in support of the Council's strategic priorities but continued to be constrained by the City's long-term financial outlook. The balanced and fiscally prudent budget plan strengthened reserves while making incremental service-level enhancements consistent with Council-adopted strategic priorities. This analysis should be read in conjunction with the General Fund Budgetary Information beginning on page 119.

The General Fund's original budgeted revenue and transfers-in totaled \$237.6 million. These revenues were increased by \$2.1 million during the year to reflect the receipt of property rental revenue from the Waterfront Office Towers, one-time revenues from the entertainment venue contract, and reimbursements for fire services provided to other agencies. The revised budgeted revenues and transfers-in for FY 2017-18 were \$239.2 million.

The General Fund's original budgeted expenditures and transfers-out were \$234.0 million; the amended budget was increased by \$36.0 million. Included in this amount is \$18.6 million toward the establishment of a pension trust account, \$8.8 million for the purchase of the Waterfront Office Towers, \$1.3 million for fire services provided to other agencies, and \$5.2 million for encumbrances not fully expended during the prior fiscal year. Capital outlay carryover from the prior year, and Council-approved project rollover accounted for another \$1.3 million. After these amendments, the approved budgeted expenditures and transfers-out for FY 2017-18 were \$270.0 million.

Actual FY 2017-18 General Fund revenues and transfers-in were higher than the final approved budget by \$4.8 million, a variance of 2 percent. Positive variances in sales and use tax, utility user taxes, other taxes, revenues from other agencies and interest income were offset by reductions in entertainment venue charges for services revenues. Sales tax revenues levied by State were greater than the budget by \$0.7 million as a result of strong activity in the Building and Construction, Business and Industry, and Fuel and Service Station categories. Improved home prices increased property tax revenues above the budget Projections. Utility rate increases generated additional utility user tax revenues in the areas of water, electricity, gas, and cable. Successor Agency residual tax receipts are the primary cause of the positive budget variance in the other taxes category and code enforcement collections increased the charges for

services category. The variance in Interest Income is a result of GASB requirements to report at fair market value, while budgeted amounts were for expected realized gains only.

Actual expenditures and transfers-out were lower than the final approved budget appropriations by \$13.0 million or 4.8%. Of this variance, \$6.2 million in appropriations was rolled into FY 2018-19 for encumbrances, capital projects, and specific City Council authorized activities. Approximately \$450,000 of the savings was the result of higher-than-anticipated vacancies across all General Fund departments. The General Fund saved \$2.5 million as funding for contingencies, labor litigation, tax collection, and election fees was not fully expended. General Government departments achieved a savings of \$1.4 million, Library expenses were \$767,000 below budget, and \$665,000 was saved in Public Safety. The remaining \$1.5 million was due to Public Works, Parks and Recreation, Capital Outlay and operating transfers. This includes \$900,000 related to Entertainment Venues which could not be expended because of lower-than-expected revenues.

The City's General Fund balance at June 30, 2018, was \$90.5 million on a budgetary basis, which is a decrease of \$6.7 million from the prior year. This reporting of General Fund balance includes general services to the public such as public safety and streets, along with libraries, recreation centers, and marinas. Whereas the quarterly budget status reports released through the City Council break down the general operations (\$79.0 million) separate from ancillary services of libraries, recreation, etc. The vacancy savings were one-time savings and have lessened now that the Police Department staffing is nearing the total authorized positions and other department staffing is also stabilizing. This effort to rebuild the City's General Fund balance is consistent with the City's Long-Range Financial Plan and the Fund Balance and Reserve policy adopted by the City Council on March 29, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in the performance of the City's functions, including infrastructure assets. This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Infrastructure assets are assets that are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets are classified in major categories, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The City depreciates all its capital assets over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that all users bear an allocable portion of the cost of the asset.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$1.5 billion (net of accumulated depreciation). Net investment in capital assets includes infrastructure, land, buildings, and improvements other than buildings, intangible assets, equipment and construction in progress. The total change in the City's net investment in capital assets for the current fiscal year was an increase of 0.3 percent.

The City of Stockton's capital assets, net of accumulated depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year (amounts in thousands):

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 42,607	\$ 43,039	\$ 11,689	\$ 11,744	\$ 54,296	\$ 54,783
Intangible Assets	4,355	4,355	804	750	5,159	\$5,105
Building and Improvements	185,954	192,088	672,192	687,965	858,146	880,053
Machinery and Equipment	23,127	25,281	5,847	5,758	28,974	31,039
Infrastructure	365,877	372,664	-	-	365,877	372,664
Construction in Progress	138,201	101,309	10,124	6,343	148,325	107,652
Total	\$ 760,121	\$ 738,736	\$ 700,656	\$ 712,560	\$1,460,777	\$1,451,296

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

Bond Indebtedness

At the end of the fiscal year, the City's total outstanding net bonded debt including bankruptcy settlements was \$414.0 million. Of this amount, \$78.8 million is related to governmental activities, and \$335.3 million are debt obligations of business-type activities.

Governmental activities bonded indebtedness decreased by \$2.8 million due to scheduled principal payments and amortization of bond premiums and the refunding of bonds formerly backed by the City's General Fund and now backed solely by tax increment from the Successor Agency to the former Redevelopment Agency of the City of Stockton.

Business-type activities bonded indebtedness, as restated, decreased by \$14.3 million due to scheduled principal payments and amortization of bond premium insurance and discounts.

Governmental outstanding net bonded debt of \$78.8 million includes \$53.5 million in settlement liability to the bond insurer (Assured Guaranty) for 2007 bonds adjusted in bankruptcy and \$4.9 million of lease revenue bonds for the City's Stewart/Eberhardt Building.

Business-type activities outstanding net bonded debt obligations of \$335.3 million includes \$232 million of revenue bonds of the Water Utility, \$67.5 million in certificates of participation for the Wastewater Utility, and \$25.0 million in settlement liability for the Parking Authority on 2004 bonds adjusted in bankruptcy. Additionally, Marina operations have a loan obligation of \$10.9 million through the State Department of Parks and Recreation. This obligation no longer accrues interest due to the bankruptcy settlement. The General Fund annually subsidizes the Marina's operations, and payments on this loan will not commence until subsidization is no longer needed.

Successor Agency bonded debt of \$108 million is reported separately in a Private Purpose Trust Fund. The balance outstanding at June 30, 2018, includes \$82.4 million of tax-exempt tax allocation bonds issued to

refinance revenue bonds for various former redevelopment projects and \$25.6 million of taxable tax allocation bonds issued to refinance revenue bonds for various housing projects.

Additional information on the City's long-term debt can be found in Note 7 - Long-Term Debt of this report.

Economic Factors and Next Year's Budget

Continued improvement in the local economy and sound fiscal practices have enabled the City to maintain essential services, fund a 17% working capital reserve, and set aside funds for known contingencies, including pension costs, staff recruitment and retention, financial system replacement and a permanent City Hall. General Fund reserves were \$79.0 million at the close of the 2017-18 fiscal year and another \$18.6 million into the PARS Trust. These reserves provided the resources for the City to replace its antiquated financial system and fund future pension costs.

The City continues to utilize its Long-Range Financial Plan (L-RFP), which is an important tool and reflects the City's commitment to fiscal health and sustainability. This financial model is used to evaluate the immediate impact of budgetary decisions and the costs of decisions over multiple years. The Federal Court reviewed the L-RFP extensively and considered challenges by the City's creditors during the bankruptcy process. The L-RFP demonstrated the City's future financial viability with the changes detailed in the Plan of Adjustment and was approved by the Court. Since its development, the L-RFP has become a dynamic tool that is updated based on current revenue and expenditure trends. Though the individual variables and assumptions may change over time, the L-RFP provides a consistent model to realistically forecast the City's fiscal performance. The City updates the L-RFP as part of regular quarterly budget updates and presents it to the City Council and the public. These updates are part of developing the budget for the upcoming fiscal year.

In November 2016, Stockton's voters approved Measure M, which is estimated to generate approximately \$10 million annually for 16 years. The City can only use the new revenues for library and recreation services, which were significantly reduced by the City during bankruptcy and the Great Recession.

The FY 2018-19 Annual Budget is structurally balanced, with revenues expected to exceed expenditures by over \$9 million. It dedicates resources in support of the Council's strategic goals of Public Safety, Fiscal Sustainability, Economic Development, and Infrastructure.

Requests for Information

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

Financial reports are available on the City's website at:

<http://www.stocktongov.com/government/departments/adminservices/finrep.html>





BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Stockton
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 340,912,034	\$ 132,618,748	\$ 473,530,782
Restricted cash and investments	23,732,303	46,804,638	70,536,941
Interest receivable	1,591,391	734,674	2,326,065
Accounts receivable, net	16,462,697	23,940,483	40,403,180
Due from other governments, net	37,616,753	-	37,616,753
Inventory of supplies	475,144	1,816,269	2,291,413
Other assets	1,921,357	-	1,921,357
Prepaid items	1,387,315	1,406,165	2,793,480
Loans to Successor Agency, net	606,580	-	606,580
Loans to property owners, net	139,576,708	-	139,576,708
Capital assets:			
Nondepreciable	185,162,340	22,616,906	207,779,246
Depreciable, net	574,957,682	678,039,687	1,252,997,369
Total assets	<u>1,324,402,304</u>	<u>907,977,570</u>	<u>2,232,379,874</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt	420,396	1,986,682	2,407,078
Pension-related deferred outflows of resources	123,782,258	3,540,754	127,323,012
Total deferred outflows of resources	<u>124,202,654</u>	<u>5,527,436</u>	<u>129,730,090</u>
LIABILITIES			
Accounts payable and accrued expenses	16,275,453	4,124,687	20,400,140
Accrued payroll and benefits	3,170,118	1,148,371	4,318,489
Due to other governments/agencies	3,858,639	113,465	3,972,104
Accrued interest	1,876,559	5,449,686	7,326,245
Deposits and other liabilities	1,574,271	1,631,087	3,205,358
Unearned revenue	8,613,188	11,047	8,624,235
Long-term liabilities:			
Due within one year:			
Compensated absences	5,900,950	728,251	6,629,201
Claims payable	14,412,175	-	14,412,175
Long-term debt	2,932,030	9,956,524	12,888,554
Due in more than one year:			
Compensated absences	5,266,691	335,221	5,601,912
Claims payable	50,625,880	-	50,625,880
Long-term debt	75,847,955	325,369,561	401,217,516
Aggregate net pension liability	493,359,903	15,852,128	509,212,031
Total liabilities	<u>683,713,812</u>	<u>364,720,028</u>	<u>1,048,433,840</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred rent	1,106,443	-	1,106,443
Pension-related deferred inflows of resources	26,573,522	1,007,152	27,580,674
Total deferred inflows of resources	<u>27,679,965</u>	<u>1,007,152</u>	<u>28,687,117</u>
NET POSITION			
Net investment in capital assets	328,283,709	367,317,190	695,600,899
Restricted	170,506,765	46,804,638	217,311,403
Unrestricted	238,420,707	133,655,998	372,076,705
Total net position	<u>\$ 737,211,181</u>	<u>\$ 547,777,826</u>	<u>\$ 1,284,989,007</u>

See accompanying Notes to the Basic Financial Statements.

City of Stockton
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 37,259,327	\$ 16,451,248	\$ 28,795	\$ 526,079
Public safety	212,181,140	15,309,265	5,695,452	-
Public works	38,435,172	14,914,410	14,100	20,899,970
Library	12,301,312	595,002	6,663,280	-
Parks and recreation	23,753,383	12,193,920	-	-
Interest and fiscal charges	5,964,012	-	-	-
Total governmental activities	329,894,346	59,463,845	12,401,627	21,426,049
Business-type activities:				
Water utility	39,525,719	50,589,852	3,855,019	3,288,574
Wastewater utility	41,648,042	68,190,706	-	2,674,485
Stormwater utility	4,729,080	5,683,205	-	281,485
Parking Authority	5,309,955	4,447,153	-	-
Other	3,299,130	1,776,421	-	-
Total business-type activities	94,511,926	130,687,337	3,855,019	6,244,544
Total	\$ 424,406,272	\$ 190,151,182	\$ 16,256,646	\$ 27,670,593

City of Stockton
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Change in Net Position		
	Governmental Activities	Business-Type Activities	Totals
PRIMARY GOVERNMENT:			
Governmental activities:			
General government	\$ (20,253,205)		\$ (20,253,205)
Public safety	(191,176,423)		(191,176,423)
Public works	(2,606,692)		(2,606,692)
Library	(5,043,030)		(5,043,030)
Parks and recreation	(11,559,463)		(11,559,463)
Interest and fiscal charges	(5,964,012)		(5,964,012)
Total governmental activities	(236,602,825)		(236,602,825)
Business-type activities:			
Water utility		\$ 18,207,726	18,207,726
Wastewater utility		29,217,149	29,217,149
Stormwater utility		1,235,610	1,235,610
Parking Authority		(862,802)	(862,802)
Other		(1,522,709)	(1,522,709)
Total business-type activities		46,274,974	46,274,974
Total net (expense) revenue	(236,602,825)	46,274,974	(190,327,851)
General revenues and transfers:			
General revenues:			
Taxes:			
Property	33,111,916	-	33,111,916
Utility user	35,415,079	-	35,415,079
Sales - levied by City	52,788,087	-	52,788,087
Franchise fees	13,243,016	-	13,243,016
Business license	13,507,182	-	13,507,182
Transient occupancy tax	3,193,420	-	3,193,420
Document transfer	1,078,240	-	1,078,240
Other	2,916,368	1,270,684	4,187,052
Shared revenue:			
Vehicle license fees	29,091,374	-	29,091,374
Sales and use tax levied by state	68,467,010	-	68,467,010
Other	165,259	100,000	265,259
Investment earnings	899,032	233,305	1,132,337
Miscellaneous	4,082,634	-	4,082,634
Gain (loss) on disposal of capital assets	(202,682)	19,525	(183,157)
Transfers from Successor Agency, net	734,364	-	734,364
Transfers	389,276	(389,276)	-
Total general revenues and transfers	258,879,575	1,234,238	260,113,813
Income before special items	22,276,750	47,509,212	69,785,962
Special Items:			
Special items (Note 18)	6,202,703	3,540,150	9,742,853
Changes in net position	28,479,453	51,049,362	79,528,815
Net position:			
Beginning of year	708,731,728	496,728,464	1,205,460,192
End of year	\$ 737,211,181	\$ 547,777,826	\$ 1,284,989,007

See accompanying Notes to the Basic Financial Statements.





FUND FINANCIAL STATEMENTS

GOVERNMENT FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the general fund, special revenue, debt service, capital projects, and permanent funds.

Special revenue and capital projects funds are used to account for the financial resources that are restricted, committed, or assigned to expenditures for special purposes or capital outlays, including the acquisition and development of capital facilities and other capital assets.

The City's major governmental funds include:

General Fund

To account for resources not accounted for in another fund. The General Fund is the City's main operating fund reflecting transactions related to municipal governmental services supported by taxes, intergovernmental revenues, charges for services and other governmental type revenues.

HOME Program Loans Special Revenue Fund

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

Low and Moderate-Income Housing City Loans Special Revenue Fund

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

Capital Improvement Capital Projects Fund

To account for the acquisition, construction and improvement of capital facilities as required by City Council action or state law in which the projects are financed by grants, lease proceeds and transfers from other City governmental funds.

City of Stockton
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds			
	General Fund	Special Revenue		Capital Projects
		Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
ASSETS				
Cash and investments	\$ 79,321,465	\$ 711,426	\$ 2,153,083	\$ 24,383,407
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	630,732	-	-	12,581
Accounts and other receivables	13,748,345	45,153	-	-
Advance deposits	762,357	-	-	-
Due from other governments, net	16,325,873	-	-	5,913,626
Inventory of supplies	475,144	-	-	-
Prepaid items	65,520	-	-	-
Loans to other funds, net	-	-	-	-
Loans to Successor Agency, net	-	-	1,106,580	-
Loans to property owners, net	-	45,069,608	61,958,486	-
Total assets	\$ 111,329,436	\$ 45,826,187	\$ 65,218,149	\$ 30,309,614
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,278,644	\$ 1,584	\$ -	\$ 2,114,127
Accrued payroll and benefits	1,407,776	5,361	-	58,189
Due to other funds	-	-	-	-
Due to other governments	3,506,474	-	-	29,652
Due to other agencies	313,224	-	-	-
Deposits and other liabilities	1,139,278	-	-	-
Unearned revenue	498,271	-	-	5,928,209
Total liabilities	13,143,667	6,945	-	8,130,177
Deferred inflows of resources:				
Unavailable revenue - loans to property owners	-	45,069,608	61,958,486	-
Unavailable revenue - other	6,811,800	-	-	-
Unearned rent	892,343	-	-	-
Total deferred inflows of resources	7,704,143	45,069,608	61,958,486	-
Fund Balances:				
Nonspendable	1,303,021	-	-	-
Restricted	4,730,434	749,634	3,259,663	22,179,437
Committed	45,956,523	-	-	-
Assigned	2,226,903	-	-	-
Unassigned	36,264,745	-	-	-
Total fund balances	90,481,626	749,634	3,259,663	22,179,437
Total liabilities, deferred inflows of resources and fund balances	\$ 111,329,436	\$ 45,826,187	\$ 65,218,149	\$ 30,309,614

City of Stockton
Balance Sheet (Continued)
Governmental Funds
June 30, 2018

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 110,518,618	\$ 217,087,999
Cash and investments with fiscal agents	1,531,653	1,531,653
Receivables, net:		
Interest	417,598	1,060,911
Accounts and other receivables	2,319,853	16,113,351
Advance deposits	-	762,357
Due from other governments, net	15,377,254	37,616,753
Inventory of supplies	-	475,144
Prepaid items	-	65,520
Loans to other funds, net	-	-
Loans to Successor Agency, net	-	1,106,580
Loans to property owners, net	32,548,614	139,576,708
Total assets	\$ 162,713,590	\$ 415,396,976
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 5,476,591	\$ 13,870,946
Accrued payroll and benefits	1,210,995	2,682,321
Due to other funds	125,008	125,008
Due to other governments	9,289	3,545,415
Due to other agencies	-	313,224
Deposits and other liabilities	385,889	1,525,167
Unearned revenue	2,186,708	8,613,188
Total liabilities	9,394,480	30,675,269
Deferred inflows of resources:		
Unavailable revenue - loans to property owners	32,548,614	139,576,708
Unavailable revenue - other	3,013,488	9,825,288
Unearned rent	-	892,343
Total deferred inflows of resources	35,562,102	150,294,339
Fund Balances:		
Nonspendable	370,061	1,673,082
Restricted	117,386,947	148,306,115
Committed	-	45,956,523
Assigned	-	2,226,903
Unassigned	-	36,264,745
Total fund balances	117,757,008	234,427,368
Total liabilities, deferred inflows of resources and fund balances	\$ 162,713,590	\$ 415,396,976

City of Stockton
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds	\$ 234,427,368
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	
Non-depreciable (net of \$1,098,021 reported in the Internal Service Funds)	184,064,319
Depreciable (net of accumulated depreciation \$358,714,349, and net capital assets \$20,654,602 reported in the Internal Service Funds)	554,303,080
Prepaid insurance related to bond issuance is not available for current period and, therefore, are expensed in the governmental funds when incurred.	60,274
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Government-Wide Statement of Net Position.	97,435,896
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental funds' Balance Sheet.	
Compensated absences (net of \$514,545 reported in Internal Service Funds)	(10,653,096)
Bonds payable and other long-term debt (net of \$4,480,454 in capital leases reported in Internal Service Fund)	(74,344,434)
Unamortized bond discount	44,903
Unamortized loss on refunding	420,396
Accrued interest payable (net of \$78,205 reported in Internal Service Funds)	(1,798,354)
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	(493,359,903)
Actuarially determined pension deferred outflows of resources are reported in the government-wide statements but are not reported in the governmental funds.	123,782,258
Actuarially determined pension deferred inflows of resources are reported in the government-wide statements but are not reported in the governmental funds.	(26,573,522)
Revenues which are unavailable on the Fund Balance Sheet, because they are not available currently, are taken into revenue in the Statement of Activities:	
Unavailable revenue - Loans to property owners	139,576,708
Unavailable revenue - Others	9,825,288
Net position of governmental activities	\$ 737,211,181

City of Stockton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			
	Special Revenue			Capital Projects
	General Fund	Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
REVENUES:				
Taxes:				
Property	\$ 33,068,112	\$ -	\$ -	\$ -
In lieu of sales tax	-	-	-	43,804
Utility user	35,415,081	-	-	-
Sales - levied by City	31,735,727	-	-	-
Franchise fees	13,243,016	-	-	-
Business license	11,914,756	-	-	-
Hotel/motel room	3,193,420	-	-	-
Document transfer	1,126,240	-	-	-
Other	2,322,820	-	-	-
Licenses and permits	509,137	-	-	-
Intergovernmental:				
Federal grants and subsidies	475,946	477,933	-	7,274,283
Sales and use tax - levied by state	48,615,140	-	-	-
Other governmental	30,880,435	-	-	1,095,002
Charges for services	8,709,232	-	-	-
Fines and forfeitures	1,173,349	-	-	-
Use of money and property	7,972,714	480,471	111,436	-
Investment income:				
Interest income	864,129	-	31,714	17,408
Refunds and reimbursements	5,360,866	-	-	414,150
Miscellaneous	5,486,198	-	1,555	359,212
Total revenues	242,066,318	958,404	144,705	9,203,859
EXPENDITURES:				
Current:				
General government	15,965,130	-	-	-
Public safety	167,899,271	-	-	-
Public works	7,073,025	-	-	-
Library	11,134,945	-	-	-
Parks and recreation	17,700,328	-	-	-
Capital outlay	1,066,853	320,267	751,339	30,071,260
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	220,839,552	320,267	751,339	30,071,260
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,226,766	638,137	(606,634)	(20,867,401)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,653,655	-	359,258	11,191,261
Transfers out	(36,192,961)	-	-	(865,447)
Transfers from Successor Agency	-	-	-	868,739
Special Item (Note 18)	307,242	-	-	5,895,461
Proceeds from sale of capital assets	799,789	-	-	-
Total other financing sources (uses)	(33,432,275)	-	359,258	17,090,014
CHANGE IN FUND BALANCES	(12,205,509)	638,137	(247,376)	(3,777,387)
FUND BALANCES:				
Beginning of year	102,687,135	111,497	3,507,039	25,956,824
End of year	\$ 90,481,626	\$ 749,634	\$ 3,259,663	\$ 22,179,437

See accompanying Notes to the Basic Financial Statements.

City of Stockton
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2018

	Other Governmental	Total Governmental Funds
REVENUES:		
Taxes:		
Property	\$ -	\$ 33,068,112
In lieu of sales tax	-	43,804
Utility user	-	35,415,081
Sales - levied by City	21,052,360	52,788,087
Franchise fees	-	13,243,016
Business license	1,592,426	13,507,182
Hotel/motel room	-	3,193,420
Document transfer	-	1,126,240
Other	593,548	2,916,368
Licenses and permits	5,704,524	6,213,661
Intergovernmental:		
Federal grants and subsidies	5,007,311	13,235,473
Sales and use tax - levied by state	5,202,124	53,817,264
Other governmental	25,802,824	57,778,261
Charges for services	20,667,850	29,377,082
Fines and forfeitures	73,976	1,247,325
Use of money and property	963,337	9,527,958
Investment income:		
Interest income	149,516	1,062,767
Refunds and reimbursements	2,111,805	7,886,821
Miscellaneous	2,749,074	8,596,039
Total revenues	91,670,675	344,043,961
EXPENDITURES:		
Current:		
General government	10,795,408	26,760,538
Public safety	16,527,080	184,426,351
Public works	11,779,388	18,852,413
Library	1,281,552	12,416,497
Parks and recreation	4,761,480	22,461,808
Capital outlay	19,000,022	51,209,741
Debt service:		
Principal retirement	2,203,565	2,203,565
Interest and fiscal charges	5,767,396	5,767,396
Total expenditures	72,115,891	324,098,309
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,554,784	19,945,652
OTHER FINANCING SOURCES (USES):		
Transfers in	5,873,240	19,077,414
Transfers out	(854,703)	(37,913,111)
Transfers from Successor Agency	(134,375)	734,364
Special Item (Note 18)	-	6,202,703
Proceeds from sale of capital assets	-	799,789
Total other financing sources (uses)	4,884,162	(11,098,841)
CHANGE IN FUND BALANCES	24,438,946	8,846,811
FUND BALANCES:		
Beginning of year	93,318,062	225,580,557
End of year	\$ 117,757,008	\$ 234,427,368

See accompanying Notes to the Basic Financial Statements.



City of Stockton
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds: **\$ 8,846,811**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. Donated capital assets do not create or use financial resources, and are not reported in governmental funds. However, in the statement of activities, the cost/fair value of those assets are allocated over their estimated useful lives and reported as depreciation expense. Capital outlays, donated capital assets, capital asset disposals, loss from disposal of capital assets and depreciation expense are as follows:

Capitalized capital outlays	40,174,934
Capital asset disposals, net	(1,108,070)
Depreciation expense (net of depreciation \$4,495,677 reported in Internal Service funds)	(16,760,608)

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

Repayment of principal	2,203,565
Amortization of prepaid insurance related to costs of issuance	(4,549)

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. Excluding extraordinary items as a result of remeasurement of liabilities .

29,865,904

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditure in governmental funds (net change):

Change in compensated absences	77,425
Amortization of bond discounts and premiums and deferred amount on refunding	(3,389)
Change in accrued interest	24,401
Change in deferred amount on debt refunding	(31,728)
Unavailable revenue - Loans to property owners	5,174,533
Unavailable revenue - Others	3,058,447
Accounting adjustment pension expense	(43,038,223)

Change in net position of governmental activities **\$ 28,479,453**

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary Fund Types

Proprietary funds focus on the determination of operating income, changes in net positions, financial position, and cash flows. There are two different types: enterprise funds and the internal service funds. Enterprise funds are used to report activities for which a fee is charged to external users for goods and services. Internal service funds may be used to report any activity that provides goods and services on a cost-reimbursement basis to other City funds, departments, or agencies of the primary government and its component units, or to other governments. The City's internal service funds include: General Liability Insurance, Workers' Compensation Insurance, Employee and Retiree Health Insurance, Retirement Benefits, Other Benefits and Insurance, Vehicle Fleet Equipment, Computer Equipment, Radio Equipment, and Other Equipment funds.

The City's major enterprise funds include:

Water Utility Enterprise Fund

To account for activities associated with the acquisition or construction of water treatment facilities, production, distribution and transmission of potable water to users, and operations related to the provision of services.

Wastewater Utility Enterprise Fund

To account for activities associated with the acquisition or construction, and operation and maintenance of wastewater facilities for collection, treatment, and disposal of wastewater, and operations related to the provision of services.

The City elects to present the following as major funds:

Stormwater Utility Enterprise Fund

To account for activities associated with the acquisition or construction, and operation and maintenance of stormwater facilities for drainage and disposal of stormwater, and operations related to the provision of services.

Parking Authority Enterprise Fund

To account for activities associated with the acquisition or construction, operation and maintenance of off-street parking facilities, and operations related to the provision of services.

City of Stockton
Statement of Net Position
Proprietary Funds
June 30, 2018

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
ASSETS				
Current assets:				
Cash and investments	\$ 39,009,005	\$ 81,725,084	\$ 7,962,399	\$ 3,262,807
Receivables, net:				
Interest	239,860	445,676	34,023	13,453
Accounts and other receivables	8,884,520	13,572,073	958,463	519,836
Due from other funds	-	-	-	-
Due from other governments, net	-	-	-	-
Inventory of supplies	-	1,770,766	-	-
Deposits and advances	-	-	-	-
Prepays	991,852	409,376	1,082	22
Total current assets	49,125,237	97,922,975	8,955,967	3,796,118
Noncurrent assets:				
Restricted assets:				
Cash and investments	2,781,151	18,761,687	-	-
Cash and investments with fiscal agents	25,247,632	785	-	13,383
Loans to other funds, net	-	-	-	-
Loans receivable	-	-	-	-
Capital assets, net:				
Nondepreciable	7,363,839	10,239,672	763,317	3,890,273
Depreciable, net	308,810,848	280,942,640	43,465,261	21,415,439
Total noncurrent assets	344,203,470	309,944,784	44,228,578	25,319,095
Total assets	393,328,707	407,867,759	53,184,545	29,115,213
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	81,288	1,905,394	-	-
Pension-related deferred outflows	977,999	2,304,791	257,964	-
Total deferred outflows of resources	1,059,287	4,210,185	257,964	-

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
LIABILITIES				
Current liabilities:				
Accounts payable	699,161	3,096,977	192,886	20,209
Accrued payroll	305,921	749,708	72,319	18,088
Due to other funds	-	-	-	-
Due to other governments	95,237	-	-	14,203
Loans from Successor Agency, net	-	-	-	-
Deposits and other liabilities	1,368,637	10,155	100,000	62,752
Accrued interest	4,041,399	977,467	-	430,820
Unearned revenue	-	-	-	-
Capital lease obligation	-	-	-	-
Compensated absences - current	184,409	509,784	22,380	11,678
Self-insurance claims and judgments - current	-	-	-	-
Other long-term debt - current	5,290,003	4,364,981	-	301,540
Total current liabilities	11,984,767	9,709,072	387,585	859,290
Noncurrent liabilities:				
Loans from other funds, net	-	-	-	-
Compensated absences - long-term	96,987	226,870	9,061	2,303
Self-insurance claims and judgments - long-term	-	-	-	-
Capital lease obligations	-	-	-	-
Notes payable	-	-	-	-
Certificates of participation	-	63,163,806	-	-
Bonds payable	226,666,025	-	-	24,668,909
Other long-term debt	-	-	-	-
Net pension liability	4,221,518	10,690,693	939,917	-
Total noncurrent liabilities	230,984,530	74,081,369	948,978	24,671,212
Total liabilities	242,969,297	83,790,441	1,336,563	25,530,502
DEFERRED INFLOWS OF RESOURCES				
Deferred rent	-	-	-	-
Pension-related deferred inflows	276,850	658,758	71,544	-
Total deferred inflows of resources	276,850	658,758	71,544	-
NET POSITION				
Net investment in capital assets	84,299,947	225,558,919	44,228,578	335,263
Restricted for capital projects	25,247,632	18,761,687	-	-
Restricted for debt service	2,781,151	785	-	13,383
Restricted for pensions	-	-	-	-
Unrestricted	38,813,117	83,307,354	7,805,824	3,236,065
Total net position	\$ 151,141,847	\$ 327,628,745	\$ 52,034,402	\$ 3,584,711

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

ASSETS	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
Current assets:			
Cash and investments	\$ 659,453	\$ 132,618,748	\$ 123,824,035
Receivables, net:			
Interest	1,662	734,674	530,480
Accounts and other receivables	5,591	23,940,483	349,346
Due from other funds	-	-	125,008
Due from other governments, net	-	-	-
Inventory of supplies	45,503	1,816,269	-
Deposits and advances	-	-	1,159,000
Prepays	3,833	1,406,165	1,261,521
Total current assets	716,042	160,516,339	127,249,390
Noncurrent assets:			
Restricted assets:			
Cash and investments	-	21,542,838	21,144,804
Cash and investments with fiscal agents	-	25,261,800	1,055,846
Loans to other funds, net	-	-	-
Loans receivable	-	-	-
Capital assets, net:			
Nondepreciable	359,805	22,616,906	1,098,021
Depreciable, net	23,405,499	678,039,687	20,654,602
Total noncurrent assets	23,765,304	747,461,231	43,953,273
Total assets	24,481,346	907,977,570	171,202,663
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt	-	1,986,682	-
Pension-related deferred outflows	-	3,540,754	-
Total deferred outflows of resources	-	5,527,436	-

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
LIABILITIES			
Current liabilities:			
Accounts payable	115,454	4,124,687	2,404,507
Accrued payroll	2,335	1,148,371	487,797
Due to other funds	-	-	-
Due to other governments	4,025	113,465	-
Loans from Successor Agency, net	-	-	500,000
Deposits and other liabilities	89,543	1,631,087	49,104
Accrued interest	-	5,449,686	78,205
Unearned Revenue	11,047	11,047	-
Capital lease obligation	-	-	613,225
Compensated absences - current	-	728,251	321,743
Self-insurance claims and judgments - current	-	-	14,412,175
Other long-term debt - current	-	9,956,524	-
Total current liabilities	222,404	23,163,118	18,866,756
Noncurrent liabilities:			
Loans from other funds, net	-	-	-
Compensated absences - long-term	-	335,221	192,802
Self-insurance claims and judgments - long-term	-	-	50,625,880
Capital lease obligations	-	-	3,867,229
Notes payable	10,870,821	10,870,821	-
Certificates of participation	-	63,163,806	-
Bonds payable	-	251,334,934	-
Other long-term debt	-	-	-
Net pension liability	-	15,852,128	-
Total noncurrent liabilities	10,870,821	341,556,910	54,685,911
Total liabilities	11,093,225	364,720,028	73,552,667
DEFERRED INFLOWS OF RESOURCES			
Deferred rent	-	-	214,100
Pension-related deferred inflows	-	1,007,152	-
Total deferred inflows of resources	-	1,007,152	214,100
NET POSITION			
Net investment in capital assets	12,894,483	367,317,190	17,272,169
Restricted for capital projects	-	44,009,319	-
Restricted for debt service	-	2,795,319	1,055,846
Restricted for pensions	-	-	21,144,804
Unrestricted	493,638	133,655,998	57,963,077
Total net position	\$ 13,388,121	\$ 547,777,826	\$ 97,435,896

City of Stockton
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
OPERATING REVENUES:				
Charges for services	\$ 49,397,250	\$ 66,776,973	\$ 5,564,211	\$ 4,433,929
Miscellaneous	1,192,602	1,413,733	118,994	13,224
Total operating revenues	50,589,852	68,190,706	5,683,205	4,447,153
OPERATING EXPENSES:				
Operation and maintenance	4,797,064	17,906,873	1,010,107	3,300,149
General and administrative	2,922,250	9,306,412	2,087,548	-
Depreciation and amortization	7,688,927	12,004,714	1,631,425	713,204
Purchased water	7,925,483	-	-	-
Total operating expenses	23,333,724	39,217,999	4,729,080	4,013,353
OPERATING INCOME (LOSS)	27,256,128	28,972,707	954,125	433,800
NON-OPERATING REVENUES (EXPENSES):				
Taxes	-	-	-	1,270,684
Grants and subsidies	3,855,019	-	-	-
Investment income:				
Interest income	163,308	72,979	11,693	-
Gain (loss) from disposal of capital assets	-	-	-	19,525
Interest expense and fiscal charges	(16,191,995)	(2,430,043)	-	(1,296,602)
Other non-operating revenues	-	-	-	-
Total non-operating revenues (expenses)	(12,173,668)	(2,357,064)	11,693	(6,393)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS	15,082,460	26,615,643	965,818	427,407
Capital contributions	3,288,574	2,674,485	281,485	-
Developer contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(36,177)	(336,034)	(1,593)	(927,472)
Special items (Note 18)	-	2,239,183	1,300,967	-
Total contributions, transfers and special items	3,252,397	4,577,634	1,580,859	(927,472)
CHANGES IN NET POSITION	18,334,857	31,193,277	2,546,677	(500,065)
NET POSITION:				
Beginning of year	132,806,990	296,435,468	49,487,725	4,084,776
End of year	\$ 151,141,847	\$ 327,628,745	\$ 52,034,402	\$ 3,584,711

City of Stockton
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
OPERATING REVENUES:			
Charges for services	\$ 894,219	\$ 127,066,582	\$ 128,414,935
Miscellaneous	882,202	3,620,755	124,994
Total operating revenues	1,776,421	130,687,337	128,539,929
OPERATING EXPENSES:			
Operation and maintenance	2,615,626	29,629,819	107,515,369
General and administrative	69,640	14,385,850	6,826,517
Depreciation and amortization	613,864	22,652,134	4,495,677
Purchased water	-	7,925,483	-
Total operating expenses	3,299,130	74,593,286	118,837,563
OPERATING INCOME (LOSS)	(1,522,709)	56,094,051	9,702,366
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	1,270,684	-
Grants and subsidies	-	3,855,019	-
Investment income:			
Interest income	(14,675)	233,305	191,895
Gain (loss) from disposal of capital assets	-	19,525	105,599
Interest expense and fiscal charges	-	(19,918,640)	(181,351)
Other non-operating revenues	100,000	100,000	296,343
Total non-operating revenues (expenses)	85,325	(14,440,107)	412,486
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS	(1,437,384)	41,653,944	10,114,852
Capital contributions	-	6,244,544	526,079
Developer contributions	-	-	-
Transfers in	912,000	912,000	22,520,718
Transfers out	-	(1,301,276)	(3,295,745)
Special items (Note 18)	-	3,540,150	-
Total contributions, transfers and special items	912,000	9,395,418	19,751,052
CHANGES IN NET POSITION	(525,384)	51,049,362	29,865,904
NET POSITION:			
Beginning of year	13,913,505	496,728,464	67,569,992
End of year	\$ 13,388,121	\$ 547,777,826	\$ 97,435,896

City of Stockton
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 47,760,297	\$ 64,452,651	\$ 5,427,461	\$ 4,414,313
Receipts for interfund services provided	-	-	-	-
Payments to suppliers and employees	(22,917,998)	(41,107,097)	(4,697,705)	(3,312,231)
Miscellaneous receipts	1,192,602	1,413,733	118,994	13,224
Net cash provided by (used in) operating activities	26,034,901	24,759,287	848,750	1,115,306
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	-
Transfers out	(36,177)	(336,034)	(1,593)	(927,472)
Contribution from other fund	-	-	-	-
Special items (Note 18)	-	2,239,183	1,300,967	-
Receipt of cash subsidies and federal grants	3,855,019	-	-	-
Other non-operating revenues	-	-	-	-
Proceeds from taxes	-	-	-	1,270,684
Net cash provided by noncapital financing activities	3,818,842	1,903,149	1,299,374	343,212
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	-	74,526
Purchases of capital assets	(914,184)	(9,410,173)	(454,585)	-
Capital contributions received	3,288,574	2,674,485	281,485	-
Unamortized loss on refunding of debt	16,818	170,583	-	-
Principal paid on debt	(10,010,004)	(4,219,981)	-	(119,487)
Interest paid on debt	(16,321,486)	(2,476,576)	-	(1,298,663)
Net cash (used in) capital and related financing activities	(23,940,282)	(13,261,662)	(173,100)	(1,343,624)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	79,744	(92,542)	(3,897)	(3,898)
Deferred rent	-	-	-	-
Net cash provided by (used in) investing activities	79,744	(92,542)	(3,897)	(3,898)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,993,205	13,308,232	1,971,127	110,996
CASH AND CASH EQUIVALENTS:				
Beginning of year	61,044,583	87,179,324	5,991,272	3,165,194
End of year	\$ 67,037,788	\$ 100,487,556	\$ 7,962,399	\$ 3,276,190

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:				
Cash and investments	\$ 39,009,005	\$ 81,725,084	\$ 7,962,399	\$ 3,262,807
Restricted assets:				
Cash and investments	2,781,151	18,761,687	-	-
Cash and investments with fiscal agents	25,247,632	785	-	13,383
Total cash and investments	\$ 67,037,788	100,487,556	\$ 7,962,399	\$ 3,276,190
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 27,256,128	\$ 28,972,707	\$ 954,125	\$ 433,800
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	7,688,927	12,004,714	1,631,425	713,204
Changes in assets and liabilities:				
Accounts and other receivables	(1,636,953)	(2,324,322)	(136,750)	(19,616)
Due from other funds	-	-	-	-
Prepaid items	(456,313)	37,340	(798)	(22)
Inventory of supplies	-	(94,717)	-	-
Deposits and advances	-	-	-	-
Accounts payable	84,750	928,221	64,957	(2,855)
Accrued payroll	30,482	(2,334)	3,672	(5,666)
Due to other funds	-	-	-	-
Due to other governments	(20,773)	-	-	(2,606)
Deposits and other liabilities	34,675	10,155	-	(512)
Unearned revenue	-	-	-	-
Compensated absences	(8,423)	(25,436)	5,947	(421)
Self-insurance - claims and judgments	-	-	-	-
Net pension liability	(8,518,649)	(18,388,119)	(1,975,639)	-
Pension-related deferred outflows	2,034,328	4,621,227	405,886	-
Pension-related deferred inflows	(453,278)	(980,149)	(104,075)	-
Net cash provided by (used for) operating activities	\$ 26,034,901	\$ 24,759,287	\$ 848,750	\$ 1,115,306
NONCASH TRANSACTIONS:				
Amortization of loss on refunding	\$ 16,818	\$ -	\$ -	\$ -
Capital contributions received	3,288,574	2,674,485	281,485	-

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 915,145	\$ 122,969,867	\$ -
Receipts for interfund services provided	-	-	128,790,941
Payments to suppliers and employees	(2,669,303)	(74,704,334)	(113,982,946)
Miscellaneous receipts	882,202	3,620,755	2,632,677
Net cash provided by (used in) operating activities	(871,956)	51,886,288	17,440,672
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	912,000	912,000	22,520,718
Transfers out	-	(1,301,276)	(3,295,745)
Contribution from other fund	-	-	(870,432)
Special items (Note 18)	-	3,540,150	-
Receipt of cash subsidies and federal grants	-	3,855,019	-
Other non-operating revenues	100,000	100,000	296,343
Proceeds from taxes	-	1,270,684	-
Net cash provided by noncapital financing activities	1,012,000	8,376,577	18,650,884
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	74,526	159,707
Purchases of capital assets	(23,645)	(10,802,587)	(2,757,224)
Capital contributions received	-	6,244,544	526,079
Unamortized loss on refunding of debt	-	187,401	-
Principal paid on debt	-	(14,349,472)	(605,839)
Interest paid on debt	-	(20,096,725)	(177,099)
Net cash (used in) capital and related financing activities	(23,645)	(38,742,313)	(2,854,376)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	(15,163)	(35,756)	6,884
Deferred rent	-	-	57,981
Net cash provided by (used in) investing activities	(15,163)	(35,756)	64,865
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,236	21,484,796	33,302,045
CASH AND CASH EQUIVALENTS:			
Beginning of year	558,217	157,938,590	112,722,640
End of year	\$ 659,453	\$ 179,423,386	\$ 146,024,685

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:			
Cash and investments	\$ 659,453	\$ 132,618,748	\$ 123,824,035
Restricted assets:			
Cash and investments	-	21,542,838	21,144,804
Cash and investments with fiscal agents	-	25,261,800	1,055,846
Total cash and investments	\$ 659,453	\$ 179,423,386	\$ 146,024,685
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,522,709)	\$ 56,094,051	\$ 9,702,366
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	613,864	22,652,134	4,495,677
Changes in assets and liabilities:			
Accounts and other receivables	24,669	(4,092,972)	348,314
Due from other funds	-	-	(97,302)
Prepaid items	1,578	(418,215)	(457,376)
Inventory of supplies	(6,763)	(101,480)	-
Deposits and advances	-	-	-
Accounts payable	14,633	1,089,706	773,725
Accrued payroll	1,217	27,371	23,596
Due to other funds	-	-	-
Due to other governments	1,203	(22,176)	-
Deposits and other liabilities	4,095	48,413	-
Unearned revenue	(3,743)	(3,743)	-
Compensated absences	-	(28,333)	18,995
Self-insurance - claims and judgments	-	-	2,632,677
Net pension liability	-	(28,882,407)	-
Pension-related deferred outflows	-	7,061,441	-
Pension-related deferred inflows	-	(1,537,502)	-
Net cash provided by (used for) operating activities	\$ (871,956)	\$ 51,886,288	\$ 17,440,672
NONCASH TRANSACTIONS:			
Amortization of loss on refunding	\$ -	\$ 16,818	\$ -
Capital contributions received	-	6,244,544	-



FIDUCIARY FUND FINANCIAL STATEMENTS**Fiduciary Fund Types**

The fiduciary funds are used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Funds financial statements. The fiduciary funds category includes agency funds and private-purpose trust funds.

Agency Funds

To account for land secured financing, developer area of benefit fees, pass-thru public fees on behalf of other entities, funds held in trust as security for development projects, and various community enhancement programs the City administers on behalf of other entities.

Successor Agency to the Redevelopment Agency of the City of Stockton

To account for a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to the City Council actions taken on August 23, 2011. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Stockton as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund.

City of Stockton
Statement of Net Position
Fiduciary Fund
June 30, 2018

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments	\$ 21,793,847	\$ 12,143,648
Cash and investments with fiscal agents	3,518,819	779
Receivables, net:		
Interest	100,689	35,772
Accounts and other receivables	5,883,456	518
Deposits	-	54,900
Prepaid items	-	795,037
Loans to the City	-	868,739
Capital assets:		
Nondepreciable	-	12,997,928
Depreciable, net	-	14,472,344
Total assets	\$ 31,296,811	41,369,665
LIABILITIES		
Accounts payable	\$ 1,083,943	3,617
Accrued payroll	-	6,266
Due to other governments	410,427	-
Deposits and other liabilities	29,802,441	-
Loans from the City, net		606,580
Accrued interest		1,309,158
Bonds payable - current		4,095,555
Bonds payable - noncurrent		103,930,710
Pollution remediation		275,000
Total liabilities	\$ 31,296,811	110,226,886
NET POSITION HELD IN TRUST		\$ (68,857,221)

City of Stockton
Statement of Additions, Deductions and Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2018

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS:	
Property tax	\$ 12,962,242
Use of money and property	6,206
Investment Income	(33,051)
Miscellaneous	(851,272)
Transfer in from City	7,608,915
Total additions	<u>19,693,040</u>
DEDUCTIONS:	
General government	758,451
Public Works	233,535
Interest and fiscal charges	4,686,820
Transfer out to City	7,474,540
Total deductions	<u>13,153,346</u>
CHANGE IN NET POSITION	6,539,694
NET POSITION (DEFICIT):	
Beginning of year	<u>(75,396,915)</u>
End of year	<u><u>\$ (68,857,221)</u></u>





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Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Stockton, California (the “City”) have been prepared in conformity with Generally Accepted Accounting Principles of the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards in the United States. The more significant of the City’s accounting policies are described below.

A. Financial Reporting Entity

The 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 and provides the following services as authorized by its charter: public safety, community services, engineering services, planning services, public works, general administrative services, and capital improvements.

These basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and either the City can impose its will on that organization, or there is a potential for that organization to provide financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete. Blended component units, although legally separate entities are, in substance, part of the City’s operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The following entities are reported component units:

Fiduciary Component Unit – Successor Agency

The Successor Agency to the Redevelopment Agency of the City of Stockton (“Successor Agency”) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency under City Council action taken on August 23, 2011. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Stockton as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency are such that it would be misleading to exclude the Successor Agency from the City’s financial statements. The Successor Agency is presented herein in the City’s fiduciary funds as a private-purpose trust fund for the fiscal year ended June 30, 2018.

The Stockton Public Financing Authority (the “SPFA”)

The SPFA was created in June 1990 and carries out bonded debt and lease financing for the City. The governing body of the SPFA is comprised of City Council members. The SPFA is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and to refinance outstanding obligations of the City. The SPFA does not prepare separate financial statements.

Excluded Agencies

A governmental agency in which the City participates is the San Joaquin Area Flood Control Agency (“SJAFCA”) which is jointly governed by the City and the County of San Joaquin (“County”). The City retains neither an on-going financial interest in nor obligation to SJAFCA. Therefore financial information for the SJAFCA is not included in the accompanying financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)**A. Financial Reporting Entity (Continued)**

An additional governmental agency in which the City participates is the San Joaquin County Regional Fire Dispatch Joint Powers Authority (“SJCRFDA”) consequent to City Council approval of an operating agreement between the SJCRFDA and the Cities of Stockton, Manteca and Lathrop. In addition to dispatch services, the City will provide financial and administrative support services to the SJCRFDA. The financial information for the SJCRFDA is not included in the accompanying financial statements. However, the City’s portion of the revenues received from emergency communications is tracked and reported in the General Fund.

B. Basis of Presentation, Measurement Focus, and Basis of Accounting

The accounts of the City are organized by funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City’s financial position and results of operations are presented from two perspectives in the following two sets of financial statements:

Government-Wide Financial Statements

The City’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Change in Net Position. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements with nonmajor funds aggregated in and combined with the major funds.

The Government-Wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents the Change in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Note 1 – Summary of Significant Accounting Policies (Continued)***B. Basis of Presentation, Measurement Focus, and Basis of Accounting (Continued)*****Government-Wide Financial Statements (Continued)**

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made for inter-fund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and netted in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, transactions between governmental and business-type activities have not been eliminated. The following inter-fund activities have been eliminated:

- Due to, Due from other funds
- Loans to, Loans from other funds
- Transfers in, Transfers out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Change in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Change in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing use) in fund balances.

Revenues are recognized in the accounting period in which they become both “*measurable*” and “*available*” to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period as soon enough after that to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured or been earned. Governmental capital asset acquisitions are reported as expenditures in governmental funds as capital outlay. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources. Revenues and expenditures not meeting recognition criteria are treated as deferred inflows or outflows (Note 1C).

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

Note 1 – Summary of Significant Accounting Policies (Continued)***B. Basis of Presentation, Measurement Focus, and Basis of Accounting (Continued)*****Governmental Fund Financial Statements (Continued)**

The City reports the following major governmental funds:

- ***General Fund***
To account for resources not accounted for in another fund. The General Fund is the City's main operating fund reflecting transactions related to municipal governmental services supported by taxes, intergovernmental revenues, charges for services and other governmental type revenues.
- ***HOME Program Loans Special Revenue Fund***
To account for the City's HOME Program providing affordable housing for low- and very low-income residents by various federal and state laws. HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low- and very low- income households.
- ***Low and Moderate Income Housing City Loans Special Revenue Fund***
To account for loans extended to eligible low and moderate-income families as approved by the Stockton Redevelopment Agency (until dissolution on February 1, 2012) and the California Health and Safety Code. Loans have not been extended subsequently to the date of dissolution.
- ***Capital Improvement Capital Projects Fund***
To account for the acquisition, construction and improvement of general governmental capital facilities as required by City Council action or state law in which the projects are financed by grants, lease proceeds, and transfers from other City governmental funds.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Change in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major enterprise funds:

- ***Water Utility Enterprise Fund***
To account for activities associated with the acquisition or construction of water treatment facilities, production, distribution and transmission of potable water to users, and operations related to the provision of services.

Note 1 – Summary of Significant Accounting Policies (Continued)***B. Basis of Presentation, Measurement Focus, and Basis of Accounting (Continued)*****Proprietary Fund Financial Statements (Continued)**

- ***Wastewater Utility Enterprise Fund***

To account for activities associated with the acquisition or construction, and operation and maintenance of wastewater facilities for the collection, treatment, and disposal of wastewater, and operations related to the provision of services.

The City also elects to present the following as major funds:

- ***Stormwater Utility Enterprise Fund***

To account for activities associated with the acquisition or construction, and operation and maintenance of stormwater facilities for drainage and disposal of stormwater, and operations related to the provision of services.

- ***Parking Authority Enterprise Fund***

To account for activities associated with the acquisition or construction, operation and maintenance of off-street parking facilities, and operations related to the provision of services.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. Internal service funds are a type of proprietary fund used to report the provision of goods and services to other funds, departments, or agencies of the primary government and its component units on a cost-reimbursement basis. The City's internal service funds include nine individual funds which provide services directly to other City funds.

- The Internal Service Funds of the City are the General Liability Insurance, Workers' Compensation Insurance, Health Benefits, Retirement Benefits, Other Benefits & Insurance, Vehicle Fleet Equipment, Computer Equipment, Radio Equipment, and Other Equipment funds.

Fiduciary Fund Financial Statements

Fiduciary funds include private-purpose trust and agency funds. Fiduciary fund types are accounted for according to the nature of the fund. Agency fund financial statements include a Statement of Net Position. The City has agency funds, which are purely custodial in nature (assets equal liabilities), and thus do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting for the proprietary funds. These funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for various assessment districts for which the City acts as an agent for debt service activities. The private-purpose trust fund accounts for assets, liabilities, and activities of the dissolved Redevelopment Agency of the City of Stockton, which is accounted for in the Successor Agency Trust Fund.

C. Deferred Outflows/Inflows of Resources

The Statement of Net position report separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Note 1 – Summary of Significant Accounting Policies (Continued)**C. *Deferred Outflows/Inflows of Resources (Continued)***

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

D. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of budgetary controls.

E. *Cash, Cash Equivalents, and Investments*

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents. The statement of cash flows requires presentation of “cash and cash equivalents.” For the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents,” including restricted cash held by fiscal agents for debt service and capital projects.

The City participates in an external investment pool managed by the State of California (State), the Local Agency Investment Fund (LAIF). The City records its investment in LAIF at fair value based on information obtained from the State on the holdings in the pool.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease in investment assets and investment income. Investment income consists of interest income, dividend income, and recognized gains or losses on investments. Money market investments and certain guaranteed investment contracts are carried at cost. Highly liquid market investments with maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City allocates the fair value adjustment for unrealized gains and losses at June 30 of each year. Interest earnings on investments are allocated to the individual pooled funds quarterly based on each fund’s average quarterly pooled cash and investments balances. The City reported its investments at fair value, and the unrealized losses on investments amounted to (\$6,710,177) for the fiscal year ended June 30, 2018.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas are presented in the footnotes:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

Note 1 – Summary of Significant Accounting Policies (Continued)***F. Restricted Cash and Investments***

Restricted cash and investments consist of cash and investments held by fiscal agents that are restricted due to limitations on their use by bond covenants or cash or investments with donor limitations. Fiscal agents acting on behalf of the bond investors hold investments arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation or tax allocation bonds and have been invested as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture. Cash held in the Water and Wastewater Rate Stabilization Fund was established under the issuance of bonds in 2009 and 2014, respectively.

G. Receivables

Revenues are recorded when received in cash, except revenues subject to accrual (up to 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services.

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met on the accrual basis of accounting in the government-wide statement of net positions. The amount recognized as revenue under the modified accrual basis of accounting in the governmental funds is limited to the amount that is deemed measurable and available.

Long-term loans receivable, which consist of the principal amount of the loan plus the accrued borrower's deferred interest is reported in the governmental fund statements with offsetting unavailable revenue as resources are not available for expenditure. Long-term loans receivable reported in the governmental activities on the government-wide statement of net position is not offset by unavailable revenue as it is recorded on an accrual basis at its net realizable value based on an estimate of uncollectible amounts for loan losses.

Billed but not collected and unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

H. Interfund Loans and Advances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "loans to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/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."

Management has determined that there are some inter-fund balances which may or may not be repaid within a reasonable period. U.S. GAAP permits the reporting of inter-fund balances such as inter-fund loans and advances only when repayment is expected within a reasonable period. However, City policy does not permit the elimination of inter-fund balances without City Council approval. Accordingly, inter-fund balances, which are not expected to be repaid within a reasonable period or not at all, have been offset by an allowance for uncollectible advances in both the borrowing and the lending funds.

Note 1 – Summary of Significant Accounting Policies (Continued)***I. Inventory of Supplies***

Inventories consist of expendable supplies held for consumption. Inventories are valued at weighted average cost using the first-in-first-out basis. Inventories of all funds are recorded as expenditures/expenses when consumed rather than purchased. Inventory of supplies is recorded in the Wastewater Fund, for the City's Water, Wastewater, and Stormwater Enterprise Funds which operates as a central store for all of the City's utilities.

J. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if the actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 for equipment and works of art; \$10,000 for land, buildings, improvements and intangible assets; \$50,000 for infrastructure, all of which must have an estimated useful life more than one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and structures	30-50 years
Improvements other than buildings	20-30 years
Machinery and equipment	3-30 years
Infrastructure	30-100 years

Major outlays for capital assets are capitalized as projects progress and once constructed begin depreciation. Repairs and maintenance costs are expensed. Interest accrued during capital assets construction, if any, is capitalized for the business-type funds as part of the asset cost.

K. Capital Contributions

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

L. Accrued Payroll and Related Liabilities

The City is on a semi-monthly payroll period, and employees are paid seven calendar days after the end of the payroll periods ending on the 15th and the end of the month or the last working day before that date. As of June 30, 2018, the payroll accrual is recorded in the respective funds when the related liability is incurred.

M. Accrued Compensated Absences

By negotiated labor agreements, employees accumulate earned but unused vacation, other compensated leave, and sick leave pay benefits. Employees were allowed to apply 100% of accrued sick leave hours for additional California Public Employees' Retirement System ("CalPERS") service credit upon retirement depending upon bargaining unit and date of hire.

For employees separating from service after February 17, 2012, and before June 30, 2015, vacation payouts are now paid in annual installments on the separation date equal to the greater of \$10,000 or 1/3 of the employee's accrued balance until paid in full and sick leave accruals are no longer paid out. For those employees separating from service after July 1, 2013, they receive their full vacation payout.

Note 1 – Summary of Significant Accounting Policies (Continued)***M. Accrued Compensated Absence (Continued)***

After subtracting the sick leave balance equivalent of one full year of service credit (2080 hours), which may be applied to CalPERS service credit, any sick leave balance remaining upon separation shall be paid at a specific percentage of the cash value to employees who have remained in City service until the dates specified in the labor agreements.

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as expenses when earned.

Fund Financial Statements

For governmental funds, compensated absences are recorded as expenditures in the year paid. The General Fund is typically used to liquidate compensated absences. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

N. Long-Term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term financial obligations are reported as liabilities.

Before July 1, 2013, bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable premium or discount except for insurance prepaid bond insurance premiums.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the year of issuance. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The differences between the government-wide and fund financial statements are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

O. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the net fiduciary position of the City's CalPERS plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as CalPERS report them. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable by benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CALPERS</u>	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)***O. Pensions (Continued)*****PARS**

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss.

P. Net Position

In governmental-wide and proprietary fund financial statements, Net Position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and include deferred inflows and outflows.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of the net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of the net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to first spend the restricted net position.

Q. Fund Balances

For governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City's various governmental funds. As a result, these restrictions have been classified as restricted for community development, debt service reserve, general government, housing projects/loans, libraries and arts, parks and recreation, public safety, public services, redevelopment projects, solid waste/recycling and streets, transit and traffic.

Note 1 – Summary of Significant Accounting Policies (Continued)***Q. Fund Balances (Continued)***

Committed – This amount indicates the portion of fund balances which can only be used for specific purposes under formal resolution or ordinance of the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

Assigned – Amounts that have been allocated by action of an official authorized by the Stockton City Council in which the City's intent is to use the funds for a specific purpose. The City considers this level of authority to be the City Manager.

Unassigned – Amounts that constitute the residual balances that have no restrictions placed upon them. If restrictions exceed available resources at the end of the year, the deficit amounts are reported and classified as unassigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is first to expend restricted fund balances, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned depending on the nature of the expenditure

R. Property Taxes

Property taxes are levied on October 1 and are payable by property owners in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Joaquin, California ("County") bills and collects property taxes and remits them to the City according to a payment schedule established by the County. The County generally operates under the Teeter Plan, whereby the County pays the City 100% of the taxes levied. The County assumes responsibility for collecting any delinquent amounts and upon collection retains the penalty and interest portion of those amounts. Therefore, no allowance for doubtful accounts is considered necessary.

The County is permitted by State law to levy taxes at 1% of full market value (at the time of purchase) and can increase the property tax rate no more than 2% per year or the current CPI, whichever is less. The City receives a share of this basic tax levy proportionate to what it received during the years 1980-1981.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 90 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected.

S. Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

Note 1 – Summary of Significant Accounting Policies (Continued)***T. Implementation of Governmental Accounting Standards Board Statements******New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018*****GASB Statement No. 81**

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement did not have a significant effect on the City's financial statements.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement did not have a significant effect on the City's financial statements.

GASB Statement No. 86

In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement did not have a significant effect on the City's financial statements.

Upcoming Governmental Accounting Standards Implementation**GASB Statement No. 84**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

Note 1 – Summary of Significant Accounting Policies (Continued)***T. Implementation of Governmental Accounting Standards Board Statements (Continued)*****Upcoming Governmental Accounting Standards Implementation (Continued)****GASB Statement No. 87**

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

Note 1 –Summary of Significant Accounting Policies (Continued)***T. Implementation of Governmental Accounting Standards Board Statements (Continued)****Upcoming Governmental Accounting Standards Implementation (Continued)***GASB Statement No. 90**

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests— An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

Note 2 – Cash, Cash Equivalents and Investments

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments on June 30, 2018:

Deposits:	
Cash on hand	\$ 76,326
Demand Deposits	27,875,877
Total Deposits	27,952,203
Investments	553,572,613
Total Cash and Investments	<u><u>\$ 581,524,816</u></u>
 Presented in the government-wide statement of net position:	
Cash and Investments	\$ 473,530,782
Restricted Cash and investments	70,536,941
 Presented in the statement of fiduciary net position	
Cash and investments	33,937,495
Cash and investments with fiscal agents	3,519,598
Total Cash and investments	<u><u>\$ 581,524,816</u></u>

A. Cash Deposits

The carrying amount of the City's pooled cash deposits was \$27,875,877 at June 30, 2018. Bank balances before reconciling items were \$76,519,498 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Fund's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

Note 2 – Cash, Cash Equivalents and Investments (Continued)***A. Cash Deposits (Continued)***

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures or by donor direction. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Authorized Investments***Investments Authorized by the California Government Code and City's Investment Policy***

The table below identifies the investment types that are authorized for the City by the California Government Code or the City's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the City's investment policy, which are more restrictive to address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the City.

Authorized Investment Type	Maximum Maturity	Maximum in Portfolio	Minimum Credit Quality
Securities of the U.S. Government or its agencies:			
U.S. Treasury Bonds, Notes and Bills	10 Years**	No Limit	N/A
State of California Obligations	5 Years	No Limit	N/A
49 other States Obligations	5 Years	No Limit	N/A
California Non Stockton Local Agency Obligations	5 Years	No Limit	N/A
U.S. Agency and U.S. Government sponsored Enterprise Securities	10 Years**	No Limit	N/A
City of Stockton Obligations	5 Years*	None	None
Negotiable Certificates of Deposit	5 Years*	30%	AA
Time Certificates of Deposit	5 Years	30%	N/A
Bankers' Acceptances	180 Days	40%	N/A
Commercial Paper	270 Days	25%	A 1, P1, F-1
Medium-Term Corporate Notes	5 Years	30%	A
California Local Agency Investment Fund			
- Investments made in County or other types of investment pools require due diligence	Upon Demand	\$65,000,000 per account	N/A
California Asset Management Program	Upon Demand	No Limit	N/A
Repurchase Agreements	1 year	None	N/A
Reverse Repurchase Agreements	92 days	20%	N/A
- If the City invests in Repurchase Agreements, a Master Repurchase Agreement is required			
Demand Accounts - Insured/Collateralized Medium Term Notes	N/A	No Limit	N/A
Mutual Funds			
SEC registered Money Market Funds limited to a percentage of the City's surplus as narrowly defined in the California Government Code Section 53601 et seq.	N/A	20%	AAA

* Limited to 5 years, except permits investment in variable rate demand obligations (VRDO)

** Securities with term to maturity greater than 5 years shall not exceed 15% of the total portfolio value.

Note 2 – Cash, Cash Equivalents and Investments (Continued)***B. Authorized Investments (Continued)******Investments Authorized by Debt Agreements***

Investments of debt proceeds held by the City's bond trustee are governed by provisions of the debt agreement, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	30 days	Top Four Rating Categories	No Limit	No Limit
U.S. Treasury Bonds, Notes and Bills	No Limit	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	No Limit	No Limit	No Limit	No Limit
State Obligations	No Limit	Not lower than their bond rating	No Limit	No Limit
Commercial Paper	270 days	A-1+	No Limit	No Limit
Negotiable Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Time Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Corporate Notes and Bonds	No Limit	Not lower than their bond rating	No Limit	No Limit
Guaranteed Investment Contracts	No Limit	Not lower than their bond rating	No Limit	No Limit
Shares of Beneficial Interest	No Limit	Top Rating Category	No Limit	No Limit
Money Market Mutual Funds	No Limit	AAm	20%	No Limit
Bankers' Acceptances	365 days	A-1+	30%	30%
Municipal Bonds	No Limit	AAA	No Limit	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$65,000,000	\$65,000,000
Investment Agreements	No Limit	AA-	No Limit	No Limit

Note 2 – Cash, Cash Equivalents and Investments (Continued)***C. Investments in Local Agency Investment Fund***

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF included a portion of pool funds invested in structured notes and asset-backed securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from mortgages (such as Collateralized mortgage obligations) or credit card receivables.

As of June 30, 2018, the City had \$64,992,309 invested in LAIF, which had invested 2.67% of the Pool investment funds in medium-term and short-term structured notes as well as asset-backed securities. The face value of the City's position in the pool is the same as the value of the pool shares.

D. Investments in Repurchase Agreements and Money Market Funds as a Sweep Instrument

Repurchase agreements are a type of short-term investment where there is a sale of securities together with an agreement for the seller to buy back the securities at a later date. The City formerly had a repurchase agreement with Wells Fargo Bank as an overnight sweep of its operating cash account with a one-day maturity. The City has opted to move its sweep to a U.S. dollar-denominated money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations that invest in governmental securities. Essentially this serves to invest excess operating cash in the City's investment pool overnight to receive an investment return on those funds. These repurchase transactions occur daily.

E. Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Note 2 – Cash, Cash Equivalents and Investments (Continued)***E. Fair Value of Investments (Continued)***

At June 30, 2018, the City had the following recurring fair value measurements.

	<u>June 30, 2018</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U. S. Agencies	\$ 88,827,490	\$ -	\$ 88,827,490	\$ -
U. S. Treasuries	98,553,770	-	98,553,770	-
Medium term notes	95,001,961	-	95,001,961	-
Supranationals	13,017,828	-	13,017,828	-
Federal Agency CMOs	4,828,852	-	4,828,852	-
Negotiable CD	60,442,430	-	60,442,430	-
Repurchase Agreement	44,472,594	-	44,472,594	-
Commercial paper	38,823,071	-	38,823,071	-
Asset backed securities	23,452,692	-	23,452,692	-
Cash - PARS 115 Trust	5,677	-	5,677	-
Equity Mutual Fund- PARS 115 Trust	6,452,091	-	6,452,091	-
Fixed Income Mutual Fund- PARS 115 Trust	13,968,359	-	13,968,359	-
Total investments by fair value level	<u>\$ 487,846,815</u>	<u>\$ -</u>	<u>\$ 487,846,815</u>	<u>\$ -</u>
Investments exempt from fair value measurement categorization:				
Local Agency Investment Fund	64,992,309			
Money market mutual funds	14,814			
Money market funds (PARS 115 trust)	<u>718,676</u>			
Total investments exempt from fair value measurement	<u>65,725,799</u>			
Total investments	<u>\$ 553,572,614</u>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Medium term notes: quoted prices for similar securities in active markets;
- Local Agency Investment Fund: application of the June 30, 2018, fair value factor, as calculated, to the City's average daily balance in the Fund; and
- Asset-backed securities: recent appraisals of the asset value.

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**F. Risk Disclosures***Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. The exceptions to this policy are that U.S. Treasury or U.S. Agency securities may be invested in greater than five years and investment in variable rate obligations of the City is permissible when allowed by the IRS and SEC. Investments maturing beyond a five-year horizon should not exceed fifteen percent (15%) of the total portfolio value at any given time. The maturity of investments is evaluated before purchase depending on liquidity needs.

Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date.

Investment Type	Fair Value	Investment Maturities			
		1 year or less	1-3 years	3-5 years	5 years or more
U. S. Agencies	\$ 88,827,490	\$ -	\$ 45,086,726	\$ 43,740,764	\$ -
U. S. Treasuries	98,553,770	-	22,897,626	75,656,144	-
Medium term notes	95,001,961	-	49,064,843	45,937,118	-
Supranationals	13,017,828	-	13,017,828	-	-
Federal Agency CMOs	4,828,852	-	-	4,828,852	-
Local Agency Investment Fund	64,992,309	64,992,309	-	-	-
Money market mutual funds	14,814	14,814	-	-	-
Money market funds (PARS 115 trust)	718,676	718,676	-	-	-
Negotiable CD	60,442,430	-	60,442,430	-	-
Repurchase Agreement	44,472,594	44,472,594	-	-	-
Commercial paper	38,823,071	38,823,071	-	-	-
Asset backed securities	23,452,692	711,732	4,148,683	18,592,277	-
Cash - PARS 115 Trust	5,677	5,677	-	-	-
Equity Mutual Fund- PARS 115 Trust	6,452,091	6,452,091	-	-	-
Fixed Income Mutual Fund- PARS 115 Trust	13,968,359	13,968,359	-	-	-
Total	<u>\$ 553,572,614</u>	<u>\$ 170,159,323</u>	<u>\$ 194,658,136</u>	<u>\$ 188,755,155</u>	<u>\$ -</u>
Allocation by percentage	100%	31%	35%	34%	0%

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**F. Risk Disclosure (Continued)**Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. It is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of June 30, 2018, for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA/AAAm	AA / AA+ / AA-	A / A+ / A-	A-1+	Total
Held by the City and its Component Units:					
U. S. Agencies:					
Non-callable	\$ 93,656,343	\$ -	\$ -	\$ -	\$ 93,656,343
Medium term notes:	-	-	-	-	-
Non-callable	13,017,828	39,065,977	59,969,486	-	112,053,291
Callable	4,348,656	17,960,036	34,100,235	-	56,408,927
Asset Backed Securities	23,452,692	-	-	-	23,452,692
Money market mutual funds	14,814	-	-	-	14,814
Money market funds (PARS 115 trust)	718,676	-	-	-	718,676
Commercial Paper	-	-	-	38,823,071	38,823,071
Repurchase Agreement	-	-	44,472,594	-	44,472,594
Total	<u>\$ 135,209,009</u>	<u>\$ 57,026,013</u>	<u>\$ 138,542,315</u>	<u>\$ 38,823,071</u>	<u>\$ 369,600,408</u>
Not rated or exempt from rating disclosure:					
Local Agency Investment Fund					64,992,309
U. S. Treasuries					98,553,770
Section 115 Trust Mutual Funds (not rated)					20,420,450
Cash Held in 115 Trust					5,677
				Total Investments	<u>\$ 553,572,614</u>

The City's portfolio manager utilized ratings of S&P in compiling the previous table. In August 2011, S&P took an extraordinary stance of downgrading the debt of the United States and numerous agencies whose debt it stands behind. Moody's and Fitch only took moves to lower the outlook on U.S. debt while still maintaining the AAA ratings on these entities. In June 2017, S&P maintained the AA+ rating with a stable outlook that is still in place today. Moody's affirmed their AAA rating with stable outlook on August 24, 2017, and Fitch affirmed the AAA rating and brought the outlook to stable on April 12, 2017.

Custodial Credit Risk

For an investment, custodial credit risk refers to the event in which the custodial bank (outside party) in possession of an investment security fails to supply the value of investments or collateral securities to the City upon demand. All securities, except the money market mutual funds and LAIF, are held by a third party custodian, Union Bank of California ("UBOC"). UBOC is a registered member of the Federal Reserve Bank and combined with Bank of Tokyo-Mitsubishi in 2014 to form MUFG Union Bank. The securities held by UBOC are in the street name with a customer number assigned to the City that identifies ownership.

Note 2 – Cash, Cash Equivalents and Investments (Continued)***F. Risk Disclosure (Continued)*****Concentration Credit Risk**

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. Concentrations of 5.0% or more in investments in any one issuer, held by individual funds in the securities of issuers other than U.S. Treasury securities, mutual funds, and external investment pools are required to be disclosed.

At June 30, 2018, the City's Pooled investments that represent a concentration in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are set forth below:

Issuer	Investment Type	Reported Amount
Held by City and its Component Units:		
Federal National Mortgage Association	Federal Agency Securities	\$ 48,083,190
Federal Home Loan Mortgage Corp	Federal Agency Securities	\$ 27,985,150
Held by Fiscal Agent:		
Federal Home Loan Mortgage Corp	Federal Agency Securities	\$ 4,937,350
Federal National Mortgage Association	Federal Agency Securities	\$ 3,501,263
Federal Home Loan Bank	Federal Agency Securities	\$ 7,810,078

G. Restricted Cash and Investments

Certain proceeds of revenue bonds and other long-term liabilities are classified as restricted cash and investments on the Statement of Net Position as their use is limited by applicable indentures or covenants. Covenants provide that these funds, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested by the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may require. The ordinances, resolutions, and indentures are more restrictive than the City's investment policy. Restricted cash and investments of the City are primary for the construction or acquisition of facilities, and reserves for payment of debt service as required by the bond indentures.

The City has a reserve policy governing the establishment of Rate Stabilization Fund for its Water, Wastewater, and Stormwater Funds. These reserves are to ease future revenue fluctuations, where revenues are interrupted or otherwise insufficient to offset the operating expenditures and to minimize the impact of rate increases. The City has established a Rate Stabilization Fund in the Water Fund in connection with the issuance of its 2010 Variable Rate Demand Water Revenue Bonds and the Wastewater Fund in connection with the 2014 Wastewater Refunding Bonds. The City use money on deposit in the Rate Stabilization Fund for any lawful purpose. All interest or other earnings in the Rate Stabilization Fund may be withdrawn and accounted for as revenues or used for any lawful purpose. The balance in the Water and Wastewater Rate Stabilization Accounts at June 30, 2018, was \$2.8 million and \$12.1 million, respectively.

Note 2 – Cash, Cash Equivalents, and Investments (Continued)**G. Restricted Cash and Investments (Continued)**

At June 30, 2018, Government-Wide restricted cash and investments and restricted cash and investments with fiscal agents are as follows:

Governmental activities	<u>\$ 23,732,303</u>
Business-type activities:	
Water Utility	28,028,783
Wastewater Utility	18,762,472
Central Parking District	13,383
Subtotal	<u>46,804,638</u>
Total restricted cash and investments	<u>\$ 70,536,941</u>
 Fiduciary	 <u>\$ 3,519,598</u>

Note 3 – Interfund Transactions**A. Due To/From Other Funds**

“Due to” and “Due from” report lending transactions primarily when individual funds overdraw their share of pooled cash or when there are short-term loans between funds. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of a grant or other reimbursements. There is \$125,008 of inter-fund balances as of June 30, 2018, as follows:

The most significant interfund transactions were as follows:

<u>Fund Making Short Term Loan</u>	<u>Fund Receiving Short Term Loan</u>	<u>Amount</u>
Internal Service Fund - Workers' Compensation	Gas Tax - Transportation Development Act	\$ 52,581
Internal Service Fund - Workers' Compensation	Emergency Shelters Grant Program	72,427
	Total	<u>\$ 125,008</u>

Note 3 – Interfund Transactions (Continued)**B. Transfers**

Interfund transfers report the nonreciprocal contributions of resources from one fund to another that include program support, debt service and settlement, and other one-time transfers. The following is a summary of transfers for the year ended June 30, 2018:

		<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities:				
General Fund	Program Support	\$ 1,653,656	\$ (12,756,672)	\$ (11,103,016)
General Fund	Pension Trust Investment	-	(18,562,620)	(18,562,620)
General Fund	Debt Service	-	(4,873,669)	(4,873,669)
Special Grants	Program Support	74,571	(333,000)	(258,429)
Debt Service	Debt Service	4,873,669	-	4,873,669
Development Services	Program Support	925,000	(490,500)	434,500
Housing-CDBG	Program Support	-	(162,104)	(162,104)
Other Special Revenue	Program Support	-	(40,436)	(40,436)
Public Facility Fees	Program Support	-	(12,899)	(12,899)
Low-Moderate Income Housing- City Loans	Debt Service/ Settlement	359,258	-	359,258
Capital Improvement	Program Support	11,191,261	(681,212)	10,510,049
Internal Service Funds	Pension Trust Investment	18,562,620	-	18,562,620
Internal Service Funds	Program Support	3,958,098	(3,295,745)	662,353
Total governmental activities		<u>41,598,133</u>	<u>(41,208,857)</u>	<u>389,276</u>
Business-type Activities:				
Water Utility	Program Support	-	(36,177)	(36,177)
Wastewater Utility	Program Support	-	(336,033)	(336,033)
Stormwater Utility	Program Support	-	(1,593)	(1,593)
Central Parking District	Debt Service/ Settlement	-	(927,473)	(927,473)
Other Enterprise non-major funds	Program Support	912,000	-	912,000
Total business-type activities		<u>912,000</u>	<u>(1,301,276)</u>	<u>(389,276)</u>
Total primary government		<u>\$ 42,510,133</u>	<u>\$ (42,510,133)</u>	<u>\$ -</u>

Note 4 – Successor Agency – Loans from City, Net

With the dissolution of the Redevelopment Agency effective January 31, 2012, the following loans are outstanding as of June 30, 2018, most of which are offset by an Allowance for Uncollectible Loans. The Successor Agency received its Finding of Completion from the State Department of Finance on October 30, 2014. On November 4, 2015, the Oversight Board adopted a resolution finding 51 Redevelopment loans from the City were made for legitimate redevelopment purposes. Dissolution law required that the accrued interest on outstanding loans be recalculated quarterly at a simple interest of 3% from the date the loans were originally authorized by the former Redevelopment Agency. Also, the Department of Finance required to have approved resolutions and signed loan agreements for the loans to be approved for repayment. City staff was unable to locate signed loan agreements and approved resolutions for all of the 51 loans. Adjustments for the write off of all loans disallowed by the Department of Finance was made in the 2016-2017 fiscal year.

Note 4 – Successor Agency – Loans from City, Net (Continued)

Also, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. Therefore, the total amount owed has been offset by an allowance for uncollectible interest (\$5,061,125 as of June 30, 2018) as the rate on loan was 3%.

Fund Making Loan	Fund Receiving Loan	Amount	Allowance for Uncollectible Loans	Net
Private Purpose Trust Fund				
Successor Agency to the Redevelopment Agency	Internal Service Funds -Workers' Comp.	\$ (500,000)	\$ -	\$ (500,000)
Low Moderate Income Housing RDA Loans	Private-Purpose Trust Fund			
	Successor Agency to the Redevelopment Agency	1,106,580	-	1,106,580
Non-Major Governmental - CDBG Fund	Private-Purpose Trust Fund	5,272,831	(5,272,831)	-
	Successor Agency to the Redevelopment Agency			
Parking Authority Fund	Private-Purpose Trust Fund	783,214	(783,214)	-
	Successor Agency to the Redevelopment Agency			
Capital Improvement Capital Projects Fund	Private-Purpose Trust Fund	10,665,511	(10,665,511)	-
	Successor Agency to the Redevelopment Agency			
General Fund	Private-Purpose Trust Fund	653,675	(653,675)	-
	Successor Agency to the Redevelopment Agency			
	Interest on Redevelopment Agency Loans	5,061,125	(5,061,125)	-
	Total	\$ 23,042,936	\$ (22,436,356)	\$ 606,580

- The \$500,000 loan from the former Redevelopment Agency Waterfront Project Area to the City's Downtown Marina Enterprise Fund was for the initial start-up operations of the Downtown Marina. In the fiscal year ended June 30, 2011, this loan obligation was transferred from the Downtown Marina to the Workers' Compensation Internal Service Fund because the Downtown Marina did not have the demonstrated ability to repay the loan in the foreseeable future. The transfer of this obligation was done to offset a portion of another loan that the Workers' Compensation Fund had extended to the Waterfront Project in the fiscal year ended June 30, 2010.
- The \$1,106,580 is a loan from the Low-Moderate Income Housing City Loans Special Revenue Fund to the former Redevelopment Agency Capital Projects Fund for the Waterfront Redevelopment Project Area.
- The \$5,272,831 in loans from the CDBG Programs Special Revenue Fund to the former Redevelopment Agency Capital Projects Fund was for project area expenditures. Of this balance, \$4,685,574 is subject to 3% annual interest. As of June 30, 2018, outstanding accrued interest balance was \$5,061,125.
- The \$783,214 is a loan from the Central Parking District Enterprise Fund to the former Redevelopment Agency Capital Projects Fund for the Waterfront Redevelopment Project Area.
- The \$10,665,511 from the Capital Improvement Capital Projects Fund to the former Redevelopment Agency Capital Projects Fund represents loans for various project areas.
- The \$653,675 is a loan from the General Fund to the former Redevelopment Agency Capital Projects Fund for various project areas.

Note 5 – Loans to Property Owners

Loans provided to property owners are managed by the City's Economic Development Department. Loans receivables under the City's loan programs at June 30, 2018, are as follows:

Loan Programs	Governmental Activities		
	Principal	Deferred Interest	Total
First Time Home Buyers Program (HOME)	\$ 39,272,632	\$ 6,941,107	\$ 46,213,739
Community Development Block Grant Programs	17,060,069	2,603,326	19,663,395
Neighborhood Stabilization First Time Home Buyer Program	9,128,255	747,352	9,875,607
California Home Loans	3,498,533	262,292	3,760,825
Low & Moderate Income Housing Programs (former Agency)	52,268,275	9,690,211	61,958,486
	<u>\$ 121,227,764</u>	<u>\$ 20,244,288</u>	141,472,052
Less: Allowance for doubtful accounts			(1,895,344)
			<u>\$ 139,576,708</u>

The governmental funds report unavailable revenues from notes and loans receivable as a deferred inflow of resources. These amounts are recognized or reported as revenues in the period that the amounts become available.

First Time Home Buyers Program (HOME)

The Home Investment Partnerships Loan Programs are funded through U.S. Department of Housing and Urban Development HOME funds. The programs include deferred gap financing loans for qualified first-time homebuyers, owner-occupied housing rehabilitation loans to qualified borrowers, and multifamily loans to qualified housing developers. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans.

Community Development Block Grant Program

The Community Development Block Grants Loan Programs are funded through U.S. Department of Housing and Urban Development CDBG funds. The programs include deferred gap financing loans for qualified first-time homebuyers, owner occupied emergency repair loans, public facility project loans, and commercial loan programs. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans.

Neighborhood Stabilization Program

The Neighborhood Stabilization Program loans are funded through U.S. Department of Housing and Urban Development Neighborhood Stabilization program funds. The programs include acquisition, rehabilitation, and resale of foreclosed homes to qualified home buyers, deferred gap financing loans for qualified home buyers; and acquisition, rehabilitation, and rent of foreclosed properties in targeted areas. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans.

California Home Loans Program

The California Home Loans Program are funded through the California Department of Housing and Community Development. The programs include deferred gap financing loans to qualified first-time homebuyers and owner occupied rehabilitation loans. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans.

Low & Moderate Income Housing

The City's Low & Moderate Income Housing Programs are funded through the Low and Moderate-Income Housing City Loans Special Revenue Fund and Strong Neighborhoods Initiative Bond proceeds. The programs include loans for rehabilitation and construction of affordable housing units which are deed restricted for occupancy by low and moderate income households for at least fifty-five years. Interest income is recorded as payments are received.

Note 6 – Capital Assets**A. Government-Wide Financial Statements**

At June 30, 2018, the City's capital assets consisted of the following:

	Governmental Activities	Business - Type Activities	Total
Capital assets, not being depreciated:			
Land	\$ 42,606,548	\$ 11,688,933	\$ 54,295,481
Intangible assets - easements	4,354,960	803,845	5,158,805
Construction in progress	138,200,832	10,124,128	148,324,960
Total capital assets, not being depreciated	185,162,340	22,616,906	207,779,246
Capital assets, being depreciated:			
Infrastructure	559,670,232	-	559,670,232
Buildings and improvements	305,438,815	1,031,415,247	1,336,854,062
Machinery and equipment	71,289,197	15,439,120	86,728,317
Total capital assets, being depreciated	936,398,244	1,046,854,367	1,983,252,611
Less accumulated depreciation for:			
Infrastructure	(193,793,555)	-	(193,793,555)
Buildings and improvements	(119,484,607)	(359,222,768)	(478,707,375)
Machinery and equipment	(48,162,400)	(9,591,912)	(57,754,312)
Total accumulated depreciation	(361,440,562)	(368,814,680)	(730,255,242)
Total capital assets, being depreciated, net	574,957,682	678,039,687	1,252,997,369
Total capital assets, net	\$ 760,120,022	\$ 700,656,593	\$ 1,460,776,615

B. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 43,038,796	\$ -	\$ (432,248)	\$ -	\$ 42,606,548
Intangible assets - easements	4,354,960	-	-	-	4,354,960
Construction in progress	101,309,236	39,094,869	(149,743)	(2,053,530)	138,200,832
Total capital assets, not being depreciated	148,702,992	39,094,869	(581,991)	(2,053,530)	185,162,340
Capital assets, being depreciated:					
Infrastructure	556,307,846	2,178,085	-	1,184,301	559,670,232
Buildings and improvements	305,438,815	-	-	-	305,438,815
Machinery and equipment	70,239,983	1,659,203	(1,823,571)	1,213,582	71,289,197
Total capital assets, being depreciated	931,986,644	3,837,288	(1,823,571)	2,397,883	936,398,244
Less accumulated depreciation for:					
Infrastructure	(183,644,309)	(10,149,246)	-	-	(193,793,555)
Buildings and improvements	(113,350,623)	(6,133,984)	-	-	(119,484,607)
Machinery and equipment	(44,958,809)	(4,973,054)	1,769,463	-	(48,162,400)
Total accumulated depreciation	(341,953,741)	(21,256,284)	1,769,463	-	(361,440,562)
Total capital assets, being depreciated, net	590,032,903	(17,418,996)	(54,108)	2,397,883	574,957,682
Governmental activities capital assets, net	\$ 738,735,895	\$ 21,675,873	\$ (636,099)	\$ 344,353	\$ 760,120,022

Note 6 – Capital Assets (Continued)**B. Governmental Activities (Continued)**

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2018, are as follows:

Governmental Activities:	
General Government	\$ 3,368,410
Public Works	10,850,141
Parks & Recreation	1,540,705
Library	166,778
Public Safety	834,573
Internal Service Funds	4,495,677
Total	<u>\$ 21,256,284</u>

C. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 11,743,932	\$ -	\$ (54,999)	\$ -	\$ 11,688,933
Intangible asset - easements	750,453	53,392	-	-	803,845
Construction in progress	6,343,310	8,671,483	(4,890,665)	-	10,124,128
Total capital assets, not being depreciated	18,837,695	8,724,875	(4,945,664)	-	22,616,906
Capital assets, being depreciated:					
Buildings and improvements	1,025,209,487	6,205,760	-	-	1,031,415,247
Machinery and equipment	14,676,504	1,106,969	-	(344,353)	15,439,120
Total capital assets, being depreciated	1,039,885,991	7,312,729	-	(344,353)	1,046,854,367
Less accumulated depreciation for:					
Buildings and improvements	(337,244,037)	(21,978,731)	-	-	(359,222,768)
Machinery and equipment	(8,918,507)	(673,405)	-	-	(9,591,912)
Total accumulated depreciation	(346,162,544)	(22,652,136)	-	-	(368,814,680)
Total capital assets, being depreciated, net	693,723,447	(15,339,407)	-	(344,353)	678,039,687
Business-type activities capital assets, net	<u>\$ 712,561,142</u>	<u>\$ (6,614,532)</u>	<u>\$ (4,945,664)</u>	<u>\$ (344,353)</u>	<u>\$ 700,656,593</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2018, are as follows:

Business-type Activities:	
Water Utility	\$ 7,688,927
Wastewater Utility	12,004,716
Stormwater Utility	1,631,425
Parking Authority	713,204
Golf Courses	81,995
Marina	531,869
Total	<u>\$ 22,652,136</u>

Note 6 – Capital Assets (Continued)***D. Fiduciary Fund Activities***

Summary of Changes in Fiduciary Fund capital assets for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Fiduciary fund activities:				
Capital assets, not being depreciated:				
Land	\$ 12,897,928	\$ -	\$ -	\$ 12,897,928
Intangible assets - easements	100,000	-	-	100,000
Total capital assets, not being depreciated	12,997,928	-	-	12,997,928
Capital assets, being depreciated:				
Infrastructure	10,898,549	-	-	10,898,549
Buildings and improvements	11,229,529	-	-	11,229,529
Machinery and equipment	471,547	-	-	471,547
Total capital assets, being depreciated	22,599,625	-	-	22,599,625
Less accumulated depreciation for:				
Infrastructure	(2,026,724)	(249,629)		(2,276,353)
Buildings and improvements	(5,284,032)	(343,472)		(5,627,504)
Machinery and equipment	(204,783)	(18,641)		(223,424)
Total accumulated depreciation	(7,515,539)	(611,742)	-	(8,127,281)
Total capital assets, being depreciated, net	15,084,086	(611,742)	-	14,472,344
Fiduciary fund capital assets, net	\$ 28,082,014	\$ (611,742)	\$ -	\$ 27,470,272

Fiduciary fund depreciation expenses for capital assets for the year ended June 30, 2018, are as follows:

Fiduciary Fund Activities:

Successor Agency	\$ 611,742
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Note 7 – Long-Term Liabilities**A. Governmental Activities**

Summary of changes in governmental activities long-term debt for the year ended June 30, 2018, are as follows:

	Balance at July 1, 2017	Additions	Payments/ Reductions	Balance at June 30, 2018	Current	Long-term Portion
Governmental Fund Activities Debt						
<u>City Debt</u>						
<u>City Debt Service Fund</u>						
<u>Lease Revenue Refunding Bonds</u>						
2006A ESB Lease Revenue Refunding Bonds	\$ 9,915,000	\$ -	\$ (490,000)	\$ 9,425,000	\$ 510,000	\$ 8,915,000
Discount	(48,292)	-	3,389	(44,903)	(3,389)	(41,514)
Total Lease Revenue Bonds	9,866,708	-	(486,611)	9,380,097	506,611	8,873,486
<u>Assured Guaranty Settlement</u>						
Assured Settlement Obligation	53,588,992	-	(41,943)	53,547,049	69,386	53,477,663
Total Settlement Obligation Bonds	53,588,992	-	(41,943)	53,547,049	69,386	53,477,663
<u>Other Long-Term Obligations</u>						
<u>CDBG</u>						
USD-HUD Housing Note (4)	8,165,000	-	(505,000)	7,660,000	500,000	7,160,000
USD-HUD Housing Note (1 replaced with new 1)	950,000	-	(215,000)	735,000	230,000	505,000
USD-HUD Housing Note (2 paid off FY15, 3 replaced with new 3)	3,245,000	-	(735,000)	2,510,000	785,000	1,725,000
Subtotal CDBG	12,360,000	-	(1,455,000)	10,905,000	1,515,000	9,390,000
<u>Capital Lease Obligations</u>						
Capital / Equip (Fire) Tax-Exempt Lease Obligation-2008	434,550	-	(72,364)	362,186	75,186	287,000
Capital / Equip (Civic-HVAC) Tax-Exempt Lease Obligation-2010	684,008	-	(216,622)	467,386	227,810	239,576
Capital / Equip (Fire) Tax-Exempt Lease Obligation-2013	968,542	-	(181,339)	787,203	187,323	599,880
Capital/Equip (Fire) Tax-Exempt Lease Obligation- 2015	1,822,300	-	(184,600)	1,637,700	191,900	1,445,800
Capital/Equip (Fire) Tax-Exempt Lease Obligation- 2017	1,860,900	-	(167,536)	1,693,364	158,814	1,534,550
Total Capital Leases and Loan	5,770,300	-	(822,461)	4,947,839	841,033	4,106,806
Total	\$ 81,586,000	\$ -	\$ (2,806,015)	\$ 78,779,985	\$ 2,932,030	\$ 75,847,955

Lease Revenue Bonds**2006 Lease Revenue Refunding Bonds, Series A (the “2006 Bonds”)**

The 2006 Bonds were issued by the Stockton Public Financing Authority (SPFA) in the amount of \$13,965,000 on April 6, 2006. As of June 30, 2018, bonds totaling \$9,425,000 are due in semi-annual installments ranging from \$510,000 on August 1, 2018, to \$875,000 on August 1, 2031, with interest rates ranging from 4.0% to 4.5% and a final maturity date of August 1, 2031. The 2006 Bonds are insured and have a reserve fund surety provided by National Public Finance Guaranty (“NPFG”).

The 2006 Bonds were issued to advance refund and retire \$13,795,000 in outstanding 1999 Certificates of Participation which were used to finance a portion of the acquisition and construction of the Stewart/Eberhardt Building and an adjacent parking facility in downtown Stockton.

The 2006 Bonds are limited obligations of the SPFA payable solely from all amounts received by the SPFA or the Trustee under the Lease Agreement and other assets pledged under the Indenture.

The Leased Premises consists of the Stewart/Eberhardt Building (the “Eberhardt Building”) located at 22 East Weber Avenue and the adjacent public parking facility located at 15 North El Dorado Street in downtown Stockton.

Note 7 – Long-Term Liabilities (Continued)**A. Governmental Activities (Continued)****Lease Revenue Bonds (Continued)****2006 Lease Revenue Refunding Bonds, Series A (the “2006 Bonds”) (Continued)**

The General Fund is obligated to make the lease payments, and no other funds are legally pledged to the repayment of the 2006 Bonds. The Parking Authority has budgeted to pay 100% of the debt service. The unamortized loss on refunding of debt was previously reported as a contra liability in the long-term debt. The balance on the loss of refunding is reported as a deferred outflow of resources in the amount of \$420,396. The net principal balance outstanding at June 30, 2018 is \$9,380,097 and the unamortized discount balance is \$44,903.

Please refer to Subsequent Events Note 17 for information regarding the payoff of the above bonds that occurred in August 2018.

Assured Guaranty Settlement - 2007 POBs**Taxable Pension Obligation Bonds 2007 Series A and Series B (the “2007 POBs”)**

The 2007 POBs were issued on March 26, 2007, to refinance the obligation of the City to make payments to the California Public Employees Retirement System for retirement benefits accruing to its employees and retirees. The 2007 POBs for Series A were issued in the amount of \$96,985,000. As of June 30, 2018, bonds totaling \$84,785,000 were due in installments of principal ranging from \$2,115,000 on September 1, 2018, to \$8,400,000 on September 1, 2037, with interest rates ranging from 5.365% to 5.455%, and a final maturity date of September 1, 2037. The 2007 POBs for Series B were issued in the amount of \$28,325,000. At June 30, 2018, bonds totaling \$28,325,000 are due in installments of principal ranging from \$715,000 on September 1, 2018, to \$2,800,000 on September 1, 2037, with interest rates ranging from 5.675% to 5.795%. The Series A and Series B for the 2007 POBs are insured by Assured Guaranty and do not have a reserve fund. The above liabilities are written down and an alternate liability is being recorded which reflects the payments required by the City under a settlement agreement reached with Assured Guaranty. This background on the original liabilities is shown in this footnote due to the bonds still trading in the secondary markets.

As part of a settlement between the City and Assured Guaranty, that became effective upon implementation of the approved Plan of Adjustment, the City is obligated, under a revised indenture, to pay a new series of payments. This series of payments is made up of three types of Non-Contingent General Fund payments: Special Fund, Ask, and Supplemental. The Special Fund payment has been determined to be from \$1,514,381 on July 1, 2018 to \$2,009,482 due on July 1, 2053; Ask Fund payments are due in installments ranging from \$1,334,875 on June 1, 2019 to \$2,531,250 due on June 1, 2052; and Supplemental Payments are due in installments of \$250,000 from June 1, 2023, to June 1, 2042, and installments of \$350,000 from June 1, 2023, to June 1, 2052. Additionally, there are Contingent General Fund Payments, which are yet to be determined by future revenues of the City’s General Fund. These Contingent Payments extend from June 1, 2019, to June 1, 2053, should General Fund Revenues require them to be made. The payment due June 1, 2019, is currently anticipated to be \$1,803,073.

Payments made after the original debt service end date of September 1, 2037, will be retained by Assured Guaranty. The obligation of the City to pay these settlement amounts when due is an absolute and unconditional obligation of the City imposed by law, and is not limited to any special source of funds. Under the Revised Indenture, the City is obligated to deposit non-contingent settlement payments with the Trustee as detailed above and reflected in the table below.

Note 7 – Long-Term Liabilities (Continued)**A. Governmental Activities (Continued)****Assured Guaranty Settlement - 2007 POBs (Continued)****Taxable Pension Obligation Bonds 2007 Series A and Series B (the “2007 POBs”) (Continued)**

Under the settlement agreement, payments are to be made from all legally available funds and resources available to the City. Under extraordinary events, the City may notice Assured Guaranty and suspend contingent payments. Should this occur, unpaid amounts accrue interest at the Prime Rate plus 3% and must be paid no later than ten years after the suspension date. Additionally, any delinquent payments due under the agreement shall also accrue interest at the prime rate plus 3%.

Debt Service on the original bonds expires in Sept 2037, and payments under the settlement agreement extend to July 2053. If contingent payment streams drastically exceed expectations, it is possible that scheduled payments could reach a point of paying back funds forwarded and accrued interest associated with these funds. Should this occur, it is possible that payments could cease before July 2053.

The City settlement with Assured Guaranty was confirmed as part of the City’s Approved Bankruptcy Plan of Adjustment. The plan for the adjustment of the City’s debts provides for material modifications of the City’s obligations on the 2007 POBs and results in a schedule of payments reflected in the following table.

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Lease Revenue Bonds		Special Fund Payments		Assured Guaranty Settlement			
					2007 Lease Ask Payments		Supplemental Payments	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 510,000	\$ 398,894	\$ 69,384	\$ 1,444,997	\$ -	\$ 1,334,875	\$ -	\$ -
2020	530,000	378,094	99,423	1,441,170	-	1,334,875	-	-
2021	550,000	356,219	130,569	1,435,686	-	1,334,875	-	-
2022	570,000	333,188	164,013	1,428,483	-	1,334,875	-	-
2023	595,000	308,788	198,847	1,419,436	-	2,529,750	-	250,000
2024-2028	3,380,000	1,128,247	1,077,810	6,903,277	-	12,648,563	-	1,250,000
2029-2033	3,290,000	303,975	1,221,605	6,629,352	-	12,649,689	-	1,250,000
2034-2038	-	-	2,234,697	6,187,504	497,220	12,152,407	-	1,250,000
2039-2043	-	-	4,751,681	5,295,729	6,660,087	5,988,977	186,025	1,163,975
2044-2048	-	-	6,214,976	3,832,434	8,711,902	3,937,724	1,205,203	544,797
2049-2053	-	-	8,128,898	1,918,513	8,863,926	1,255,076	1,226,350	173,651
2054-2058	-	-	1,904,433	105,049	-	-	-	-
Total	<u>\$ 9,425,000</u>	<u>\$ 3,207,405</u>	<u>\$ 26,196,336</u>	<u>\$ 38,041,630</u>	<u>\$ 24,733,135</u>	<u>\$ 56,501,686</u>	<u>\$ 2,617,578</u>	<u>\$ 5,882,423</u>

The amounts in the annual debt service requirements to maturity schedule are the scheduled debt service under the bond indentures and settlement agreements.

Note 7 – Long-Term Liabilities (Continued)**A. Governmental Activities (Continued)****Other Long-term Obligations****Notes Payable**

The City entered into four Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development to complete redevelopment projects. The first loan was paid off on August 1, 2014. As of June 30, 2018, the second loan totaling \$735,000 has notes due in installments ranging from \$ 230,000 to \$260,000 that are to be paid August 1, 2018, through August 1, 2020, with interest rates ranging from 0.93% to 1.98%. The third loan with payments totaling \$2,510,000 has notes due in installments ranging from \$785,000 to \$890,000 that are due to be paid from August 1, 2016, through August 1, 2020, with interest rates ranging from 0.93% to 1.98%. The fourth loan with payments totaling \$7,660,000 remaining has notes due in installments ranging from \$500,000 to \$1,920,000 and are to be paid through August 1, 2024, with interest rates ranging from 4.62% to 5.25%. Repayment of the loans is made from program income received under the City's housing loans program.

Annual Debt Service Requirements to Maturity

Year Ending June 30,	U.S. Dept. of Housing & Urban Development	
	Principal	Interest
2019	\$ 1,515,000	\$ 426,927
2020	1,600,000	385,814
2021	1,675,000	338,595
2022	1,750,000	270,002
2023	1,830,000	178,875
2024-2028	2,535,000	98,255
Total	<u>\$ 10,905,000</u>	<u>\$ 1,698,468</u>

Capital Lease Obligations**Fire Vehicles – (Lease #1)**

On April 17, 2007, Resolution 07-0133 approved the execution of a Master Equipment/Lease Agreement in the amount of \$7,000,000 with Banc of America Leasing and Capital, LLC to provide a tax-exempt financing mechanism and established the underlying financing tool for designated capital projects. Under the terms of the Master Equipment/Lease Agreement, the City authorized the purchase of an aerial fire truck and water rescue vehicle for the Fire Department in the amount of \$1,000,000. The remaining \$6,000,000 of the original amount authorized by City Council was never utilized and is no longer available due to the City's bankruptcy filing. The long-term master lease agreement with Banc of America Public Capital Corporation for the purchase of these vehicles has lease payments due on April 26 and October 26 through October 26, 2022, with an interest rate of 3.862%.

The assets acquired through the capital lease are as follows:

Machinery and Equipment	\$ 1,005,792
Less: Accumulated depreciation	<u>(733,264)</u>
Total	<u>\$ 272,528</u>

Note 7 – Long-Term Liabilities (Continued)**A. Governmental Activities (Continued)****Other Long-term Obligations (Continued)****Capital Lease Obligations (Continued)****Civic Auditorium's Heating, Ventilation & Air Conditioning (HVAC) System – (Lease #2)**

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

The assets acquired through the capital lease are as follows:

Machinery and Equipment	\$	1,861,906
Less: Accumulated depreciation		(566,330)
Total	\$	<u>1,295,576</u>

Fire Pumper Trucks – (Lease #3)

On January 24, 2012, Resolution 2012-01-24-1504 approved the execution of a tax-exempt lease through OshKosh Capital in the amount of \$1,795,506 to purchase 4 Pierce Fire Pumper Trucks. Modifications to the contract increased the lease amount to \$1,871,404. The tax-exempt lease has annual lease payments due on September 15, through September 15, 2021, with an interest rate of 3.300%.

The assets acquired through the capital lease are as follows:

Machinery and Equipment	\$	1,871,404
Less: Accumulated depreciation		(665,388)
Total	\$	<u>1,206,016</u>

Fire Engines and Ladder Truck – (Lease #4)

On May 19, 2015, Resolution 2015-05-19-1212 approved the execution of a tax-exempt lease through TPB Investments, Inc. in the amount of \$2,000,000 to purchase 3 Pierce Fire Pumper Trucks and one Ladder Truck. The tax-exempt lease has annual lease payments due on February 1 and August 1 of each year, through August 1, 2025, with an interest rate of 3.900%. The trucks were delivered in fall 2016.

The assets acquired through the capital lease are as follows:

Machinery and Equipment	\$	2,724,000
Less: Accumulated depreciation		(325,266)
Total	\$	<u>2,398,734</u>

Note 7 – Long-Term Liabilities (Continued)**A. Governmental Activities (Continued)****Other Long-term Obligations (Continued)****Capital Lease Obligations (Continued)****Two Fire Engines and Ladder Truck – (Lease #5)**

On February 7, 2017, Resolution 2017-02-07-1210 approved the execution of a tax-exempt lease through Western Alliance Business Trust in the amount of \$1,860,900 to purchase 2 Pierce Fire Pumper Trucks and one Ladder Truck. The tax-exempt lease has annual lease payments due on February 1 and August 1 of each year, through August 1, 2025, with an interest rate of 4.140%. Delivery of the trucks occurred in Fall 2018.

Annual Debt Service Requirements to Maturity

These five leases qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments. As of June 30, 2018, the future minimum lease obligations and the net present value of this minimum lease payments are as follows:

Year Ending June 30,	2007 B of A Capital Lease #1		Civic HVAC Capital Lease #2		Pierce Oshkosh Capital Lease #3		2015 WA Lease Capital Lease #4		2017 WA Lease Capital Lease #5	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 75,186	\$ 13,269	\$ 227,810	\$ 20,969	\$ 187,323	\$ 25,978	\$ 191,900	\$ 62,018	\$ 158,816	\$ 68,478
2020	78,118	10,337	239,577	9,202	193,504	19,796	199,500	54,460	165,459	61,835
2021	81,164	7,291	-	-	199,890	13,410	207,400	46,603	172,380	54,914
2022	84,329	4,126	-	-	206,486	6,814	215,500	38,436	179,591	47,704
2023	43,390	839	-	-	-	-	224,000	29,950	187,103	40,192
2023-2027	-	-	-	-	-	-	599,400	35,519	830,015	79,163
Total	<u>\$ 362,187</u>	<u>\$ 35,862</u>	<u>\$ 467,387</u>	<u>\$ 30,171</u>	<u>\$ 787,203</u>	<u>\$ 65,998</u>	<u>\$ 1,637,700</u>	<u>\$ 266,986</u>	<u>\$ 1,693,364</u>	<u>\$ 352,286</u>

Note 7 – Long-Term Liabilities (Continued)**B. Business-Type Activities**

Summary of changes in business-type activities long-term debt for the year ended June 30, 2018, are as follows:

<u>Water Utility Obligations</u>	Balance at June 30, 2017	Additions	Payments / Reductions	Balance at June 30, 2018	Current	Non-Current
2002A CSCDA Water Revenue Bonds	\$ 5,755,000	\$ -	\$ (840,000)	\$ 4,915,000	\$ 885,000	\$ 4,030,000
Discount	(82,945)	-	14,219	(68,726)	(14,220)	(54,506)
2005A Water System Revenue Bonds	24,230,000	-	(5,050,000)	19,180,000	125,000	19,055,000
Premium	82,295	-	(4,470)	77,825	4,468	73,357
2009B Water System Revenue Bonds (Taxable)	154,550,000	-	(3,835,000)	150,715,000	3,990,000	146,725,000
Premium	855,641	-	(40,424)	815,217	40,424	774,793
2010A Water System Demand Revenue Bonds (2013 Conversion)	53,675,000	-	(130,000)	53,545,000	135,000	53,410,000
Premium (From 2013 Conversion)	2,901,042	-	(124,329)	2,776,713	124,332	2,652,381
Total Water Utility	241,966,033	-	(10,010,004)	231,956,029	5,290,004	226,666,025
<u>Wastewater Utility Obligations</u>						
2014 Wastewater Refunding Revenue Bonds	62,865,000	-	(3,490,000)	59,375,000	3,635,000	55,740,000
Premium (on 2014 refunding)	8,883,767	-	(729,981)	8,153,786	729,980	7,423,806
Total Wastewater Utility	71,748,767	-	(4,219,981)	67,528,786	4,364,980	63,163,806
<u>Parking Authority</u>						
Parking Bond Settlement Obligation	25,089,936	-	(119,487)	24,970,449	301,540	24,668,909
Total - Central Parking Debt	25,089,936	-	(119,487)	24,970,449	301,540	24,668,909
<u>Marina Operation</u>						
CDBW Harbor Facility Construction and Planning Loans	10,870,821	-	-	10,870,821	-	10,870,821
Total - Marina Debt	10,870,821	-	-	10,870,821	-	10,870,821
Total - Enterprise Fund Activities Debt	\$ 349,675,557	\$ -	\$ (14,349,472)	\$ 335,326,085	\$ 9,956,524	\$ 325,369,561

Water Utility

The bonds and notes of the Water Utility are secured by and payable from certain revenues of the City's water enterprise fund (the "Water Fund"), amounts that are derived from "property related fees" collected by the City for water service. Application of amounts in the Water Fund is governed by the requirements of Article XIID, Section 6 of the California Constitution, which provides that the Water Fund may only be used for the water enterprise, and may not be used for general governmental purposes. The City is in compliance with its covenants in connection with its obligations, including covenants on the current rates and charges, and the Water Fund has revenues sufficient to meet the operation and maintenance costs of the water enterprise, scheduled debt service and required debt service coverage. The City's Approved Bankruptcy Plan of Adjustment did not directly impact repayment of the bonds.

California Statewide Community Development Authority Revenue Bonds Series 2002A

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, (the "2002A Bonds") which issued 2002A Bonds in the amount of \$14,280,000 for the City. As of June 30, 2018, \$4,915,000 of the 2002A Bonds are outstanding with installments of principal ranging from \$885,000 on October 1, 2018, to \$1,090,000 on October 1, 2022, with interest rates ranging from 4.900% to 5.125%. The 2002A Bonds were issued to refinance prior water system expansion bonds. Net revenues of the Water Fund are pledged towards repayment of the 2002A Bonds. The unamortized loss on refunding of debt was previously reported as a contra liability of the long-term debt balance. The balance of the loss on refunding is reported as a deferred outflow of resources in the amount of \$81,288. Also, bond issuance costs related to prepaid insurance remained unamortized at June 30, 2018. The net principal balance outstanding at June 30, 2018 is \$4,846,274 and the unamortized discount balance is \$68,726.

Note 7 – Long-Term Liabilities (Continued)***B. Business-Type Activities (Continued)*****Water Utility (Continued)****Stockton Public Financing Authority Revenue Bonds Series 2005A**

The 2005 Water Revenue Bonds, Series A (Water System Capital Improvement Projects) (the “2005A Bonds”) were issued in the amount of \$24,230,000 by the Stockton Public Financing Authority (“SPFA”) on November 3, 2005. As of June 30, 2018, \$24,230,000 of 2005A Bonds remain outstanding with installments of principal ranging from \$125,000 to \$1,875,000 beginning October 1, 2018, through October 1, 2035, and interest rates ranging from 4.0% to 5.0%. Net revenue for the water fund is pledged towards repayment of the 2005A Bonds. The 2005A Bonds were issued to finance various water system capital improvement projects. The net principal balance outstanding at June 30, 2018 is \$19,257,825 and the unamortized discount balance is \$77,825.

Stockton Public Financing Authority Revenue Bonds Series 2009B

The 2009 Water Revenue Bonds, Series B (Taxable Build America Bonds, Delta Water Supply Project) (the “2009B Bonds”) were issued in the amount of \$154,550,000 by the SPFA on August 11, 2009. The 2009B Bonds were issued as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The SPFA receives a cash subsidy from the United States Treasury under the Recovery Act equal to 35% of the interest payable on or about each Interest Payment Date. The amount of the subsidy received for the year ended June 30, 2018, was \$3,855,019 net of a reduction due to sequestration. As of June 30, 2018, there are \$150,715,000 in 2009B Bonds outstanding remaining with installments of principal ranging from \$3,990,000 to \$13,570,000 beginning October 1, 2018, through October 1, 2038, and interest rates ranging from 6.39% to 7.942%. The 2009B Bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. The net principal balance outstanding at June 30, 2018 is \$151,530,217 and the unamortized premium balance is \$815,217. Net revenues of the Water Fund are pledged towards repayment of the 2009B Bonds.

The City was notified that under sequestration the subsidy payment would be reduced by 6.6% for the federal fiscal year ending September 30, 2018.

Stockton Public Financing Authority Revenue Bonds Series 2010A

The 2010 Water Revenue Bonds, Series A (Delta Water Supply Project) (the “2010A Bonds”) were issued in the amount of \$55,000,000 by the SPFA on October 20, 2010. The SPFA originally issued the 2010A Bonds as variable rate demand bonds in weekly mode. Due to an inability to successfully obtain a new Letter of Credit (LOC) facility while in Chapter 9 bankruptcy. The 2010A Bonds were remarketed in a long-term, fixed rate mode on November 26, 2013. As of June 30, 2018, \$53,545,000 of 2010A Bonds remain outstanding with installments of principal ranging from \$135,000 to \$16,500,000 beginning October 1, 2018, through October 1, 2040, with interest rates ranging from 4.0% to 6.25%. There was no gain or loss as a result of the current refunding.

The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. The repayment of the 2010A Bonds is from a pledge of net revenues of the Fund. The net principal balance outstanding at June 30, 2018 is \$56,321,711 and the unamortized premium balance is \$2,776,711.

Note 7 – Long-Term Liabilities (Continued)***B. Business-Type Activities (Continued)*****Water Utility (Continued)****Pledge Revenues**

The City has pledged future net system revenues from the Water Fund for the repayment of all of the Revenue Bonds of the Water Fund. For the year ended June 30, 2018, total principal and interest paid was \$22,424,560 and net revenues were \$31,113,598 after netted with Build America Bonds Subsidy on the 2009B bonds. Rate stabilization Funds balances at the end of FY 2017/18 stand at \$2,781,151. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds are \$459,541,191.

Debt Covenants

The Revenue Bonds all require the maintenance of a financial covenant of minimum debt service coverage (DSC) ratio. The minimum DSC ratio for the senior bonds is 115% of net system revenues, which are pledged for repayment of senior revenue bonds. The minimum DSC ratio for subordinate bonds is 115% of net system revenues after the payment of senior bonds. The DSC ratio is the measure of the Water Fund's ability to have sufficient resources to pay its debt service. The Water Fund has met its DSC for the fiscal year ended June 30, 2018, at each measurement, first on senior lien bond, and then on subordinate lien bonds.

Wastewater Utility

The bonds of the Wastewater Utility are secured by and payable from certain revenues of the City's wastewater enterprise fund (the "Wastewater Fund"), amounts that are derived from "property related fees" collected by the City for wastewater service. Application of amounts in the enterprise fund is governed by the requirements of Article XIID, Section 6 of the California Constitution, which provides that the enterprise fund may only be used for the wastewater enterprise, and may not be used for general governmental purposes. The City is in compliance with its covenants in connection with its obligations, including covenants on the current rates and charges, and the Wastewater Fund has revenues sufficient to meet the operation and maintenance costs of the wastewater utility, scheduled debt service and required debt service coverage. The City's Approved Bankruptcy Plan of Adjustment does not impact repayment of the bonds.

Stockton Public Financing Authority

Wastewater Revenue Refunding Bonds, Series 2014 (1998 Wastewater Project and 2003 Wastewater Project) were issued in an amount of \$69,440,000 by the SPFA on November 24, 2014. As of June 30, 2018, bonds totaling \$59,375,000 are due in annual installments of principal ranging from \$3,635,000 to \$6,530,000 beginning September 1, 2018, through September 1, 2029, with interest rates ranging from 4.00% to 5.00% on the bonds outstanding. The Bonds were issued to advance refund the 1998 and 2003 certificates of participation. Repayment of the Bonds is a pledge of net revenues of the Wastewater Fund. The balance of the loss on refunding is reported as a deferred outflow of resources and at June 30, 2018, there is \$1,905,394 outstanding. The net principal balance outstanding at June 30, 2018 is \$67,528,786 and the unamortized premium balance is \$8,153,786.

Pledge Revenues

The City has pledged future net revenues from the Wastewater Fund for the repayment of the COPs and Bonds. For the year ended June 30, 2018, the City paid total principal and interest of \$6,492,200 and had net revenues of \$28,977,845. At June 30, 2018, the total principal and interest remaining to be paid on the Wastewater Bonds are \$79,104,700.

Note 7 – Long-Term Liabilities (Continued)***B. Business-Type Activities (Continued)*****Wastewater Utility (Continued)****Debt Covenants**

The Bonds require the maintenance of a financial covenant of minimum debt service coverage (DSC) ratio. The minimum DSC ratio for Bonds is 115% of Adjusted Net System Revenues which are pledged toward repayment of all bonds. The DSC ratio is the measure of the Wastewater Fund's ability to have sufficient resources to pay its debt service. The Wastewater Fund has met its DSC for the fiscal year ended June 30, 2018, at each measurement period.

Parking Authority**Lease Revenue Bonds, Series 2004 ("2004 Parking Bonds")**

The 2004 Parking Bonds were issued in the amount of \$32,785,000 by the SPFA on June 25, 2004. As of June 30, 2018, the 2004 Parking Bonds totaling \$28,600,000 are due in annual installments of principal ranging from \$745,000 on September 1, 2018 to \$2,950,000 on September 1, 2034, with interest rates ranging from 4.70% to 5.25%, and a final maturity date of September 1, 2034. The 2004 Parking Bonds were issued to finance the construction of the Stockton Events Center Parking Structure, the Edward S. Coy Parking Garage, and other parking facilities within the Parking Authority. The above bonds, held by investors, while still outstanding has been replaced by an alternate liability of the Parking Authority ("Authority"), which at June 30, 2018, has totaled \$24,970,449, and was due in installments ranging from \$301,540 to be paid in FY 2019 and \$1,795,823 to be paid in FY 2047. These principal installments reflect the payments required by the Authority under a settlement agreement reached with the Insurer of the Bonds, National Public Finance Guaranty ("NPF"). Additional explanation on the liability and how it is reflected is shown below.

The 2004 Parking Bonds are special limited obligations of the SPFA payable from and secured by revenues, consisting primarily of lease payments to be made by the City, as lessee, to the SPFA, as lessor, under a Lease Agreement dated June 1, 2004. The lease payments are made in exchange for the right to use and occupy the property consisting of the property constructed with bond proceeds and an existing parking facility of the City, and the sites on which such parking facilities are located.

On December 17, 2013, the City, by council action established the Parking Authority of the City of Stockton ("Authority"), a new component unit of the City, to operate the parking facilities of the City as described in the settlement with NPF. Under the terms of the agreement, the City was required to transfer the parking properties (including those built with the original bond proceeds) over to the Authority, who in turn assumed the revised lease of the assets from the City, who had leased them from the SPFA under the original agreement.

Under the Revised Lease, the Authority is obligated to deposit with the Trustee the payment of debt service under the settlement on February 25 and August 25 each year, commencing with 2015 and the pledge to make payments from any available source is no longer in place, but rather is limited to the Authority. In March of 2012, the City defaulted on the 2004 Parking Bond Lease payments and under this new payment structure has an altered obligation, reported in tables elsewhere in this footnote.

The Authority also maintains surface parking and parking meters throughout the District and levies a special tax on properties within the District under the Mello-Roos Community Facilities District Act of 1982. Under the existing documents, the special tax is not pledged as security for the 2004 Parking Bonds, or on the settlement payments.

Note 7 – Long-Term Liabilities (Continued)***B. Business-Type Activities (Continued)*****Parking Authority (Continued)****Lease Revenue Bonds, Series 2004 (“2004 Parking Bonds”) (Continued)**

The principal and interest amounts reported below are based on total settlement payments discounted at the average rate of payment required on the remaining bonds when they were written off. This is in compliance with Governmental Accounting Standards Board Statement 58 (GASB 58) which is the authoritative literature for government bankruptcy implementation. As part of a settlement between the City and NPFG, that became effective upon implementation of the Approved Bankruptcy Plan of Adjustment, the City is obligated under a revised indenture to pay a new series of payments, which are due February 25 and August 25 of each year, commencing with 2015 and the pledge to make payments from any available source is no longer in place, but rather is limited to gross Authority revenues. That series of payments extends to February 25, 2047. The difference between these payments and the original debt service scheduled on these bonds is to be made up by NPFG. Payments which extend beyond the original debt service end date of September 1, 2034, will be retained by NPFG.

Downtown Marina**Construction and Planning Loans**

On March 17, 1997, the City entered into an agreement with the California Department of Boating and Waterways (“DBAW”) for a planning loan to provide funding for a feasibility study regarding the potential construction of waterfront improvements. That feasibility study was approved on May 16, 2000, and the City entered into an agreement with DBAW for the construction loan to develop a small craft harbor facility on August 9, 2004. Engineering work began in the fiscal year 2006. Construction of the facility started during the fiscal year ended June 30, 2009, and the project was completed in 2011. The principal remaining to be paid on both the planning and construction loans as of June 30, 2018, is \$10,870,821.

The construction note was scheduled to be repaid under a 30-year repayment schedule at 4.5% interest beginning in August 2011. Repayment of the Note is secured by a pledge of the gross revenues of the Downtown Marina, which have been insufficient to pay the full debt service. The loan provides that, subject to the requirements of Article XVI, Section 18 of the California Constitution (the “Debt Limit”), the City will make up any shortfall in debt service after application of Marina revenues. The Marina does not currently generate sufficient annual revenues to cover operational costs (net of debt service), and the City continues to provide an annual subsidy to the operator to cover this shortfall.

The City’s settlement with DBAW as to the treatment of this obligation was confirmed as Part of the City’s Approved Bankruptcy Plan of Adjustment. The terms of the settlement call for the outstanding principal to be paid from net operating revenues of the Marina operation, with no interest accruing on the unpaid portion. The settlement removes the General Fund backing and a reserve fund balance formerly in place in the General Fund has been removed. With operations continuing to receive an annual subsidy, it is unknown when any principal reduction payment will occur.

Note 7 – Long-Term Liabilities (Continued)**B. Business-Type Activities (Continued)****Annual Debt Service Requirements to Maturity**

Year Ending June 30,	Water Utility		Wastewater Utility		Central Parking District	
	Revenue Bonds		Revenue Bonds		Settlement Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 5,135,000	\$ 16,012,233	\$ 3,635,000	\$ 2,859,700	\$ 301,540	\$ 1,288,608
2020	5,365,000	15,690,239	3,795,000	2,692,125	323,934	1,272,714
2021	5,615,000	15,333,913	3,995,000	2,497,375	347,633	1,255,645
2022	5,890,000	14,945,184	4,195,000	2,292,625	372,710	1,237,331
2023	6,180,000	14,537,362	4,410,000	2,077,500	399,238	1,217,701
2024-2028	34,490,000	65,892,174	26,600,000	6,665,250	2,450,680	5,742,406
2029-2033	44,480,000	51,518,809	12,745,000	645,125	3,382,291	5,005,150
2034-2038	61,095,000	32,231,942	-	-	4,607,816	3,994,209
2039-2043	60,105,000	5,024,333	-	-	6,215,181	2,623,761
2044-2048	-	-	-	-	6,569,426	793,351
Total	<u>\$ 228,355,000</u>	<u>\$ 231,186,189</u>	<u>\$ 59,375,000</u>	<u>\$ 19,729,700</u>	<u>\$ 24,970,449</u>	<u>\$ 24,430,876</u>

B. Fiduciary Fund Activities

Summary of changes in fiduciary fund long-term liabilities for the year ended June 30, 2018, are as follows:

<u>Successor Agency to RDA of Stockton</u>	Balance			Balance		
	July 1, 2017	Additions	Reductions	June 30, 2018	Current	Non-Current
Revenue Bonds:						
2016 Series A Successor Agency Tax Allocation Bonds	\$ 73,310,000	\$ -	\$ -	\$ 73,310,000	\$ -	\$ 73,310,000
Premium	9,663,994	-	(562,951)	9,101,043	562,951	8,538,092
2016 Series B Successor Agency Tax Allocation Bonds (Taxable)	30,010,000	-	(4,195,000)	25,815,000	3,565,000	22,250,000
Discount	(232,174)	-	32,396	(199,778)	(32,396)	(167,382)
Total Successor Agency Liabilities	<u>\$ 112,751,820</u>	<u>\$ -</u>	<u>\$ (4,725,555)</u>	<u>\$ 108,026,265</u>	<u>\$ 4,095,555</u>	<u>\$ 103,930,710</u>

Successor Redevelopment Agency**2016 Tax Allocation Refunding Bonds, Series A and B (Federally Taxable)**

The Successor Agency issued the 2016 Tax Allocation Bonds, Series A in the amount of \$73,310,000 on November 3, 2016 to provide funds to refinance bonds issued in 2004 to finance a portion of the downtown Arena, and 2006 Series A bonds used to finance redevelopment projects in the North, South, and Midtown projects areas of the former Redevelopment Agency.

As of June 30, 2018, the 2016 Series A Bonds totaling \$73,310,000 are due in annual installments of principal ranging from \$610,000 on September 1, 2024 to \$7,195,000 on September 1, 2037, with final payment on September 1, 2037, with interest rates ranging from 3.25% to 5.00%. The net principal balance outstanding at June 30, 2018 is \$82,411,043 and the unamortized premium balance is \$9,101,043.

The 2016 Tax Allocation Bonds, Series B (Federally Taxable) were issued in the amount of \$30,010,000 on November 3, 2016 to provide funds to refinance Certificates of Participation issued in 2003 to finance the construction of capital improvements to provide redevelopment housing in the City of Stockton, and R2006 Series C Bonds issued to finance certain low, and moderate income housing projects throughout the City of Stockton.

Note 7 – Long-Term Liabilities (Continued)**C. Fiduciary Fund Activities (Continued)****Successor Redevelopment Agency (Continued)****2016 Tax Allocation Refunding Bonds, Series A and B (Federally Taxable) (Continued)**

As of June 30, 2018, the 2016 Series B Bonds totaling \$30,010,000 are due in annual installments of principal ranging from \$3,415,000 to \$3,925,000 due in annual installments through on September 1, 2037, with interest rates ranging from 1.625% to 2.75%. The net principal balance outstanding at June 30, 2018 is \$25,615,222 and the unamortized discount balance is \$199,778.

The 2016 Series A and B bonds are limited obligations of the Successor Agency secured by a first charge and lien on, and a security interest in Tax Revenues received by the Successor Agency pursuant to the laws of the State of California related to Redevelopment Property Tax Trust Fund (“RPTTF”) and the revenues of the former Redevelopment Agency under California Health and Safety Code Sections 34183 and 34170.5(b), whereby the County Auditor-Controller is obligated to deposit the Tax Revenues into the RPTTF.

Annual Debt Service Requirements to Maturity

Year Ending June 30,	2016 Series A Successor Agency Tax Allocation Bonds		Agency Tax Allocation Bonds (Taxable)	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ 3,373,800	\$ 3,565,000	\$ 524,709
2020	-	3,373,800	3,625,000	466,291
2021	-	3,373,800	3,685,000	399,988
2022	-	3,373,800	3,760,000	323,188
2023	-	3,373,800	3,840,000	237,638
2024-2028	13,695,000	15,802,125	7,340,000	189,931
2029-2033	26,550,000	10,313,850	-	-
2034-2038	33,065,000	3,664,000	-	-
Total	\$ 73,310,000	\$ 46,648,975	\$ 25,815,000	\$ 2,141,745

C. 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 (called local improvement districts) or 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 is only responsible for collecting the special taxes or assessments, making payment from the special taxes or assessments to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from special taxes or assessments, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the City’s basic financial statements. As of June 30, 2018, there was one CFD special tax bond and five revenue bonds outstanding with aggregate principal amounts payable of \$18,035,000 and \$47,015,000, respectively.

Note 7 – Long-Term Liabilities (Continued)**C. Debt Without City Commitment (Continued)**

Please refer to Subsequent Events Note 17 for information regarding the issuance of additional Debt without City Commitment that occurred in August 2018 and refunding of current debt (with additional project funds added to the balance) that occurred in December 2018.

Conduit Debt (No City Commitment) – As of June 30, 2018, there is no longer any conduit debt outstanding that was issued with the City as the conduit issuer

Note 8 – Accrued Compensated Absences

The value of all accumulated vacation and longevity vacation allowance is accrued, as appropriate, for all funds. Earned but unused sick is not accrued starting with negotiated bargaining unit contracts that began in the fiscal year 2012-13 and continued through June 30, 2018. The bargaining unit contracts state that all sick time accrual has no cash value upon separation from the City.

The compensated absence accrual is presented in the Government-Wide and Business Type proprietary fund financial statements. The changes in compensated absences of governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning July 1, 2017	\$ 11,226,071	\$ 1,091,805	\$ 12,317,876
Additions	9,267,118	1,102,175	10,369,293
Payments	(9,325,548)	(1,130,508)	(10,456,056)
Balance June 30, 2018	<u>\$ 11,167,641</u>	<u>\$ 1,063,472</u>	<u>\$ 12,231,113</u>
Current Portion	<u>\$ 5,900,950</u>	<u>\$ 728,251</u>	<u>\$ 6,629,201</u>
Non-Current Portion	<u>\$ 5,266,691</u>	<u>\$ 335,221</u>	<u>\$ 5,601,912</u>

Note 9 – Unamortized Loss on Refundings

Summary of Changes in Unamortized Loss on Refundings for the year ended June 30, 2018, is as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Governmental Funds				
2006 Essential Service Building Refinance	\$ (452,124)	\$ -	\$ 31,728	\$ (420,396)
Subtotal Governmental Funds	<u>(452,124)</u>	<u>-</u>	<u>31,728</u>	<u>(420,396)</u>
Municipal Utility Enterprise Debt Obligations				
2002 Deferred amounts on refunding	(98,107)	-	16,819	(81,288)
2014 Wastewater Refunding Revenue Bonds	(2,075,977)	-	170,583	(1,905,394)
Subtotal - Municipal Utility Enterprise Debt	<u>(2,174,084)</u>	<u>-</u>	<u>187,402</u>	<u>(1,986,682)</u>
Total Deferred Amount on Refunding	<u>\$ (2,626,208)</u>	<u>\$ -</u>	<u>\$ 219,130</u>	<u>\$ (2,407,078)</u>

Note 10 – Fund Balances

A summary of the City's fund balance classification as nonspendable, restricted, committed, assigned and unassigned reported in the City's Governmental Funds balance sheet at June 30, 2018, are as follows:

	General Fund	HOME Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement	Other Governmental	Total Governmental Funds
Fund balances:						
Nonspendable:						
Inventories	\$ 475,144	\$ -	\$ -	\$ -	\$ -	\$ 475,144
Prepaid expense	65,520	-	-	-	-	65,520
Advance deposits	762,357	-	-	-	-	762,357
Other nonspendable asset	-	-	-	-	370,061	370,061
Total Nonspendable	<u>1,303,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,061</u>	<u>1,673,082</u>
Restricted for:						
Section 108 Loan	1,277,452	-	-	-	-	1,277,452
Community development	-	-	-	-	26,996,621	26,996,621
Debt service reserve	-	-	-	-	1,553,481	1,553,481
General government	-	-	-	21,618,264	1,471,723	23,089,987
Housing	-	749,634	3,259,663	-	2,875,496	6,884,793
Libraries and arts	3,452,982	-	-	561,173	10,207,806	14,221,961
Parks and recreation	-	-	-	-	16,755,141	16,755,141
Public safety	-	-	-	-	6,151,166	6,151,166
Solid waste/recycling	-	-	-	-	1,875,139	1,875,139
Streets, transit & traffic	-	-	-	-	49,447,830	49,447,830
Encumbrances	-	-	-	-	52,544	52,544
Total Restricted	<u>4,730,434</u>	<u>749,634</u>	<u>3,259,663</u>	<u>22,179,437</u>	<u>117,386,947</u>	<u>148,306,115</u>
Committed for:						
General government operations	<u>45,956,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,956,523</u>
Total Committed	<u>45,956,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,956,523</u>
Assigned for:						
General government operations	<u>2,226,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,226,903</u>
Total Assigned	<u>2,226,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,226,903</u>
Unassigned:	<u>36,264,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,264,745</u>
Total Fund Balances	<u>\$ 90,481,626</u>	<u>\$ 749,634</u>	<u>\$ 3,259,663</u>	<u>\$ 22,179,437</u>	<u>\$ 117,757,008</u>	<u>\$ 234,427,368</u>

Note 11 – Retirement Plans

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

Summary:

	Governmental Activites	Business-Type Activites	Total
CalPERS			
Deferred Outflows of Resources:			
Safety			
Contributions made after measurement date	\$ 26,126,021	\$ -	\$ 26,126,021
Change in assumptions	44,983,556	-	44,983,556
Difference between projected and actual investment earnings	9,417,796	-	9,417,796
	<u>80,527,373</u>	<u>-</u>	<u>80,527,373</u>
Miscellaneous:			
Contributions made after measurement date	14,145,843	1,109,687	15,255,530
Change in assumptions	22,457,723	1,761,723	24,219,446
Difference between projected and actual investment earnings	6,651,319	521,770	7,173,089
	<u>43,254,885</u>	<u>3,393,180</u>	<u>46,648,065</u>
PARS			
Difference between projected and actual investment earnings	-	147,574	147,574
	<u>-</u>	<u>147,574</u>	<u>147,574</u>
Total Pensions related Deferred Outflows of Resources	<u>\$ 123,782,258</u>	<u>\$ 3,540,754</u>	<u>\$ 127,323,012</u>
Net Pension Liability:			
Safety	\$ 335,756,347	\$ -	335,756,347
Miscellaneous	157,603,556	12,363,396	169,966,952
PARS	-	3,488,732	3,488,732
Total Net Pension Liability	<u>\$ 493,359,903</u>	<u>\$ 15,852,128</u>	<u>\$ 509,212,031</u>
Deferred Inflows of Resources:			
Safety			
Change in assumptions	\$ 4,227,035	\$ -	\$ 4,227,035
Differences between expected and actual experience	10,350,068	-	10,350,068
	<u>14,577,103</u>	<u>-</u>	<u>14,577,103</u>
Miscellaneous			
Differences between expected and actual experience	11,996,419	941,073	12,937,492
	<u>11,996,419</u>	<u>941,073</u>	<u>12,937,492</u>
PARS			
Differences between expected and actual experience	-	66,079	66,079
	<u>-</u>	<u>66,079</u>	<u>66,079</u>
Total Pension Deferred Inflows	<u>\$ 26,573,522</u>	<u>\$ 1,007,152</u>	<u>\$ 27,580,674</u>

Note 11 – Retirement Plans (Continued)**A. CalPERS Retirement Plan****General Information about Pension Plans**

CalPERS is an agent multiple-employer agency trust, that acts as a common investment and administrative agent for participating public entities in the State of California and provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS benefits are payable monthly for life in an amount equal to a certain percent of the employee's highest annual salary. Benefit provisions and all other requirements are established by contract with CalPERS, 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, 95811.

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

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City of Stockton's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The Safety Plan is for sworn Police and Fire employees. The contribution requirements of the plan members and the City are established and may be amended by CalPERS.

The Miscellaneous Plan is available to full-time employees not enrolled in the Safety Plan. Part-time employees must meet specific criteria for participation. City employees are eligible for service or normal retirement at age 55 or older with a minimum of five years CalPERS service. The contribution requirements of the plan members and the City are established by CalPERS and may be amended.

Benefits provided – CalPERS provides service retirement and disability benefits, the annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits for public safety employees are calculated as a percentage of the employee's final 3-year average salary times the employees' years of service. Public safety employees with ten years of continuous service are eligible to retire at age 55. Public safety employees may retire at any age after 20 years of service. The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety	
	Prior to January 1, 2014	After January 1, 2014
Hire Date		
Benefit Vesting Schedule	5 years service	5 years service
	Tier II Fire: 3% @ 55 years of age	
Benefit Formula	All Other: 3% @ 50 years of age	2.7% @ 57 years of age
Benefit Payments	monthly for life	monthly for life
Required Employee Contribution Rates	9.00%	11.25%
Required Employer Contribution Rates	48.816%	48.816%

Note 11 – Retirement Plans (Continued)**A. CalPERS Retirement Plan (Continued)****General Information about Pension Plans (Continued)**

	Miscellaneous	
	Prior to January 1, 2014	After January 1, 2014
Hire Date		
Benefit Vesting Schedule	5 years service	5 years service
	Tier I: 2% @ 55 years of age	
Benefit Formula	Tier II: 2% @ 60 years of age	2% @ 62 years of age
Benefit Payments	monthly for life	monthly for life
Required Employee Contribution Rates	7.00%	6.25%
Required Employer Contribution Rates	23.859%	23.859%

Employees covered - At June 30, 2017 the following employees were covered under benefit terms:

	Safety Plan	Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits	828	1,413
Inactive employees entitled to but not yet receiving benefits	161	552
Active employees	580	970
	<u>1,569</u>	<u>2,935</u>

Contributions – The City establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2018, the Safety Plan employer contribution rate was 48.816% of wages. The Miscellaneous Plan was 23.859% of wages.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, using standard update procedures.

Note 11 – Retirement Plans (Continued)**A. CalPERS Retirement Plan (Continued)****Net Pension Liability (Continued)**

Actuarial assumptions – The total pension liability on June 30, 2016, the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Safety Plan</u>		<u>Miscellaneous Plan</u>	
Valuation Date	6/30/2016		6/30/2016	
Measurement Date	6/30/2017		6/30/2017	
Actuarial Cost Method	Entry-Age Normal Cost Method			
Actuarial Assumptions:				
Discount Rate	7.15%		7.15%	
Inflation	2.75%		2.75%	
Payroll Growth	3.00%		3.00%	
Projected Salary Increase	Varies	(1)	Varies	(1)
Investment Rate of Return	7.50%	(2)	7.50%	(2)
Mortality	see note	(3)	see note	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries BB. For more details on this table, please refer to the 2014 experience study report

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used on June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

Discount rate – The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 11 – Retirement Plans (Continued)**A. CalPERS Retirement Plan (Continued)****Net Pension Liability (Continued)**

The target allocation and best estimates of real arithmetic rates of return for each major asset class are summarized in the following table:

Current Safety/Miscellaneous Plans			
Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan are as follows:

Safety Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 06/30/2016	\$ 962,695,080	\$ 660,580,329	\$ 302,114,751
Changes for the year:			
Service cost	15,401,471	-	15,401,471
Interest	71,053,021	-	71,053,021
Changes of Assumption	59,494,381	-	59,494,381
Differences between expected and actual experience	(9,538,805)	-	(9,538,805)
Contributions-employer	-	23,342,334	(23,342,334)
Contributions-employee	-	6,617,527	(6,617,527)
Net investment income	-	73,783,913	(73,783,913)
Benefit payments, including refunds of employee	(53,205,686)	(53,205,686)	-
Administrative expense	-	(975,302)	975,302
Other changes	-	-	-
Net Changes	83,204,382	49,562,786	33,641,596
Balances at 06/30/2017	\$ 1,045,899,462	\$ 710,143,115	\$ 335,756,347

Note 11 – Retirement Plans (Continued)**A. CalPERS Retirement Plan (Continued)****Changes in the Net Pension Liability (Continued)**

Miscellaneous Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 06/30/2016	<u>\$ 665,522,421</u>	<u>\$ 503,328,332</u>	<u>\$ 162,194,089</u>
Changes for the year:			
Service cost	10,871,947	-	10,871,947
Interest	48,291,460	-	48,291,460
Changes of Assumption	39,356,599	-	39,356,599
Differences between expected and actual experience	(17,662,863)	-	(17,662,863)
Plan to plan resource movement	-	-	-
Contributions-employer	-	13,189,681	(13,189,681)
Contributions-employee	-	4,386,770	(4,386,770)
Net investment income	-	56,250,959	(56,250,959)
Benefit payments, including refunds of employee	(34,494,172)	(34,494,172)	-
Administrative expense	-	(743,130)	743,130
Other changes	-	-	-
Net Changes	<u>46,362,971</u>	<u>38,590,108</u>	<u>7,772,863</u>
Balances at 06/30/2017	<u><u>\$ 711,885,392</u></u>	<u><u>\$ 541,918,440</u></u>	<u><u>\$ 169,966,952</u></u>

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.15 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

Safety Plan

	1% Decrease Rate (6.15%)	Current Discount Rate (7.15%)	1% Increase Rate (8.15%)
Net pension liability	<u>\$ 481,216,921</u>	<u>\$ 335,756,347</u>	<u>\$ 217,228,808</u>

Miscellaneous Plan

	1% Decrease Rate (6.15%)	Current Discount Rate (7.15%)	1% Increase Rate (8.15%)
Net pension liability	<u>\$ 264,216,772</u>	<u>\$ 169,966,952</u>	<u>\$ 92,048,597</u>

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

Note 11 – Retirement Plans (Continued)**A. CalPERS Retirement Plan (Continued)****Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of measurement date June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 26,126,021	\$ -
Differences between expected and actual experience	-	(10,350,068)
Changes of assumptions	44,983,556	(4,227,035)
Net differences between projected and actual earnings on pension plan investments	-	-
	9,417,796	-
Total	<u><u>\$ 80,527,373</u></u>	<u><u>\$ (14,577,103)</u></u>

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 15,255,530	\$ -
Differences between expected and actual experience	-	(12,937,492)
Changes of assumptions	24,219,446	-
Net differences between projected and actual earnings on pension plan investments	-	-
	7,173,089	-
Total	<u><u>\$ 46,648,065</u></u>	<u><u>\$ (12,937,492)</u></u>

The \$26,126,021 and \$15,255,530 reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date during the year ended June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows, and deferred inflows of resources related to pensions will be recognized in future pension expense.

Safety Plan	
Measurement periods ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	\$ 5,139,264
2019	22,722,256
2020	16,245,172
2021	(4,282,443)
2022	-
Thereafter	-
	<u><u>\$ 39,824,249</u></u>

Note 11 – Retirement Plans (Continued)**A. CalPERS Retirement Plan (Continued)****Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Miscellaneous Plan	
Measurement periods ended June 30:	Deferred Outflows/ (Inflows) of Resources.
2018	\$ 5,870,236
2019	13,676,593
2020	3,095,227
2021	(4,187,013)
2022	-
Thereafter	-
	<u>\$ 18,455,043</u>

B. PARS Enhancement Plan**General Information about Pension Plans**

Plan Description – The PARS Retirement Enhancement Plan, a closed retirement plan, provides retirement benefits for Municipal Utility Department employees for the period they worked for OMI-Thames Water Stockton, Inc. The City entered into an agreement with Public Agency Retirement Services (PARS) (a public sector retirement plan administrator specializing in providing public entities customized retirement plans and solutions) to contribute to a supplemental plan for employees joining or re-joining City service after having been employed between 2003 and 2008 by OMI-Thames, a private sector utility contractor. OMI-Thames employees did not earn CalPERS service credit during the period OMI-Thames operated the City utilities.

Benefits provided - Upon retirement, the REP benefits will supplement any CalPERS retirement for which those employees are eligible. Eligibility for the REP, a single-employer post-employment defined benefit plan, other than employment with OMI-Thames between 2003 and 2008, is defined as concurrent retirement with CalPERS and the City upon attaining age 55 and a minimum of 5 years of full-time continuous service with the City, with at least 1 year of continuous City service after March 1, 2008.

Employees covered - At June 30, 2018, the following employees were covered by the benefit terms:

	Enhancement Plan
Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	0
Active employees	48
	<u>84</u>

Contributions – The City establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Note 11 – Retirement Plans (Continued)**B. PARS Enhancement Plan (Continued)****Net Pension Liability**

The City's net pension liability was measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2016, using standard update procedures.

Actuarial assumptions – The total pension liability on June 30, 2018, the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Enhancement Plan</u>	
Valuation Date	6/30/2016	
Measurement Date	6/30/2018	
Actuarial Cost Method	Entry-Age Normal Cost	
Actuarial Assumptions:		
Discount Rate	7.00%	
Inflation	2.75%	
Payroll Growth	N/A	
Projected Salary Increase	3.5% - 9.9%	(1)
Investment Rate of Return	7.00%	
Mortality	see note	(2)

(1) Depending on years of service.

(2) Pre-retirement: CalPERS Miscellaneous Non-Industrial Rates.
Post-Retirement: CalPERS 1997-2011 Healthy Retiree Table
(sex-distinct) projected using Scale AA and base year of 2008

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Discount rate – The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 11 – Retirement Plans (Continued)**B. PARS Enhancement Plan (Continued)****Net Pension Liability (Continued)**

The target allocation and best estimates of real arithmetic rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	Enhancement Plan		
	New Strategic Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Cash	2.66%	0.31%	0.31%
Core Fixed Income	46.59%	2.14%	2.02%
Broad US Equities	37.19%	4.59%	3.32%
Developed Foreign Equities	8.58%	5.52%	3.91%
Emerging Market Equities	3.57%	7.82%	4.59%
REITs	1.41%	5.04%	3.27%
Total	100.00%		

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan are as follows:

	Enhancement Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 06/30/2017	<u>\$ 10,509,684</u>	<u>\$ 6,552,365</u>	<u>\$ 3,957,319</u>
Changes for the year:			
Service cost	138,078	-	138,078
Interest	730,559	-	730,559
Differences between expected and actual experience	-	-	-
Contributions-employer	-	941,620	(941,620)
Contributions-employee	-	-	-
Net investment income	-	409,596	(409,596)
Benefit payments, including refunds of employee	(429,654)	(429,654)	-
Contributions	-	-	-
Administrative expense	-	(13,992)	13,992
Other changes	-	-	-
Net Changes	<u>438,983</u>	<u>907,570</u>	<u>(468,587)</u>
Balances at 06/30/2018	<u><u>\$ 10,948,667</u></u>	<u><u>\$ 7,459,935</u></u>	<u><u>\$ 3,488,732</u></u>

Note 11 – Retirement Plans (Continued)**B. PARS Enhancement Plan (Continued)**

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Enhancement Plan	1% Decrease Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase Rate (8.00%)
Net pension liability	\$ 4,830,205	\$ 3,488,732	\$ 2,363,058

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued REP financial report.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Enhancement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ -	\$ -
Differences between expected and actual experience	-	(66,079)
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	147,574	-
Total	\$ 147,574	\$ (66,079)

\$147,574 was reported as deferred outflows of resources related to earnings on pension plan investments, and \$66,079 was reported as deferred inflows related to experience, expected and actual experience and will be recognized in future pension expense as follows:

Enhancement Plan	Deferred Outflows/(inflows) of Resources.
Measurement periods ended June 30:	
2019	\$ 81,198
2020	32,575
2021	(45,518)
2022	13,240
2023	-
Thereafter	-
	\$ 81,495

Note 12 – Claims Payable

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 Employee Health Insurance funds) to account for and finance its self-insured risks of loss. Under the City's risk management program, the City retains risk for each general liability claim, for each workers' compensation claim (described under Risk Pools), and for each medical plan member under the health benefits program. The City purchases stop-loss coverage for the health benefits program over its \$350,000 self-insured retention (SIR) from Union Labor Life Insurance Company up to a maximum of \$1,000,000 per Original Plan member and \$2,000,000 per Modified Plan member. The City's coverage for SIR excess claims for general liability and workers' compensation is discussed later in this note under risk pools. The workers' compensation and health benefits programs are administered by third-party claims administrators. The general liability program is self-administered by the City.

The City's estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Internal Service Funds is reported as *Self-insurance claims and judgments*.

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 contributing funds and charges for services in the internal service 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 actively occupied positions.

Independent actuaries 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 on 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% discount rate to reflect future investment earnings. While the ultimate amounts of losses incurred through June 30, 2018, are dependent on future developments, based on information provided by 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 each of the past three years.

Changes in the balances of the City's claims liabilities, which include incremental claims adjustments expenses, for the current and prior fiscal years, are as follows:

	General Liability	Workers' Compensation	Health Benefits	Total
Balance, June 30, 2016	\$ 7,827,566	\$ 61,262,000	\$ 582,600	\$ 69,672,166
Claims incurred	5,909,924	2,486,009	3,828,720	12,224,653
Claims adjustment	-	(8,317,000)	-	(8,317,000)
Claims paid	(858,112)	(6,309,009)	(4,007,320)	(11,174,441)
Balance, June 30, 2017	12,879,378	49,122,000	404,000	62,405,378
Claims incurred	4,559,086	4,728,669	4,136,373	13,424,128
Claims paid	(1,180,409)	(5,532,669)	(4,078,373)	(10,791,451)
Balance, June 30, 2018	<u>\$ 16,258,055</u>	<u>\$ 48,318,000</u>	<u>\$ 462,000</u>	<u>\$ 65,038,055</u>

Note 12 – Claims Payable (Continued)

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

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

The CJPRMA governing board is comprised of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Members are assessed annual contributions based on actuarially determined rates. CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for CJPRMA for the fiscal year ended June 30, 2018, can be obtained from CJPRMA at 3201 Doolan Road, Suite #285, Livermore, California 94551.

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 \$400 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.

Workers' Compensation Insurance – The City has been self-funded for its Worker's Compensation Program since 1979. In July 2003, the City joined California Public Entity Insurance Authority (CPEIA), a public entity risk pool which operated an Excess Workers' Compensation Program. CPEIA has since merged into an existing authority known as California State Association of Counties Excess Insurance Authorities (CSAC-EIA). The CSAC-EIA was formed in 1979 by 29 California counties for 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 95% of the counties in California, nearly 68% of the cities, as well as, numerous school districts, special districts, housing authorities and other Joint Powers Authorities. The City's self-insured retention is currently set \$500,000 per occurrence. Losses above the City's SIR are pooled up to \$4.5 million per occurrence by the CSAC-EIA. Statutory coverage for losses above \$5 million is covered by reinsurance and excess insurance policies throughout CSAC-EIA.

Note 13 – Pollution Remediation Obligations

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

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

Note 13 – Pollution Remediation Obligations

The former Agency, now Successor Agency, has identified the UNOCAL site along the Stockton channel that are designated “Brownfields” by the U.S. Environmental Protection Agency, with the goal of revitalizing contaminated properties that the Successor Agency currently owns in the area near Stockton's downtown waterfront in the Waterfront Redevelopment Project Area. The following are details of the Successor Agency-owned contaminated site, including a description of the pollution, the obligating event requiring remediation action, estimable remediation costs components, and recoveries by responsible parties. Details of the liabilities as of June 30, 2018, are also discussed.

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

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

Area 2A-Unocal – Soil and groundwater contamination has been identified in Area 2A-Unocal associated with total petroleum hydrocarbons, volatile and semi-volatile organic compounds. The obligating event for this site stems from a Polanco agreement notice issued to the responsible party, currently in negotiation for settlement. Estimated costs are for a consultant, legal and City personnel costs for cleanup of the soil contamination, and pre-cleanup and investigative study of the site about the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2016, is \$431,250, which includes an estimated recovery of costs by the responsible party.

The total net estimated net pollution remediation liability for the site in the amount of \$275,000, is reported to the Successor Agency as of June 30, 2018.

Note 14 – Individual Fund Disclosures

Deficit Fund Balances

At June 30, 2018, the following funds had net positions or fund balance deficits:

Fund	Fund Type	Deficit
Workers' Compensation Insurance	Internal Service Fund	\$ (4,999,038)
Successor Agency	Agency Fund	\$ (67,637,968)

The Workers' Compensation Insurance Fund has an accumulated deficit fund balance of \$4,999,038 as of June 30, 2018, resulting in a drastic reduction from past year. The City has historically budgeted revenues and projected expenditures in the Fund on a cash basis. Contributions to cover claims expenditures are based on a percentage of payroll based upon city-wide loss experience. As a result, past contributions have been insufficient to cover the outstanding estimated future claims. On an accrual basis of accounting, the Fund has a long-term liability of \$40,287,000 for claims and judgments while the cash balance of the fund as of June 30, 2018, is \$43,546,595. The City will continue to use actuaries to assist in analyzing claim data and projecting claim costs.

Note 14 – Individual Fund Disclosures (Continued)

The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund has an accumulated deficit fund balance of \$67,637,968 as of June 30, 2018. This is an Agency Private Purpose Trust fund and not included in the City's net position. The fund has a bonds payable balance that causes a liability.

Note 15 – Commitments and Contingencies***Contingent Liability – Pending Litigation***

Various claims and legal actions are pending against the City, some of which have a reasonable possibility of an unfavorable outcome. These legal actions involve property, personal injury, and civil rights claims. GASB Statement No. 62 requires disclosure of pending litigation for which contingency is possible, and the amount cannot be reasonably estimated. As discussed in Note 12, the City is self-insured and has accrued a liability for estimated claims outstanding. Amounts for the claims, which cannot be reasonably estimated at this time, have not been included in the financial statements. Management, after consultation with legal counsel, is of the opinion that ultimate disposition of these matters will not have a material adverse effect on the City's financial position or results of operations.

Capital Commitments

The City is undertaking some capital improvement projects, the most significant of which include the following outstanding capital commitments at June 30, 2018:

	Amount
Developer Reimbursements	\$ 5,598,041
Thornton Road Widening	3,854,537
Regional Wastewater Control Facility	2,776,996
Hammer Lane Widening	1,815,579
March Lane Traffic Control	1,370,204
French Camp I-5 Interchange	956,341
Total	<u>\$ 16,371,698</u>

Operating Leases

Operating lease obligations are primarily for rental of parking facilities space, but other lease obligations are included. Future minimum lease payments under non-cancelable operating leases with initial or remaining terms of a year or more are as follows:

Year Ended June 30,	Amount
2019	\$ 5,008,117
2020	395,235
2021	414,996
2022	435,746
2023	385,742
2024-2028	988,466
2029-2033	1,261,555
Total	<u>\$ 8,889,857</u>

Note 15 – Commitments and Contingencies (Continued)***Encumbrances***

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

GASB Statement No. 54 provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the governmental funds are classified as either committed, restricted or assigned and are included in the respective classification. Outstanding encumbrances at June 30, 2018, are as follows:

	Amount
General Fund	\$ 5,297,226
Capital Improvements	\$ 12,384,282
Other Governmental	\$ 12,592,732

Facilities Management Agreement

On March 20, 2018 the Stockton City Council approved the ammendment of the current Facilities Management Agreement (Agreement) with SMG to include the Downtown Marina operations, extend the terms of the existing agreement and to include vendor performance benchmarks. SMG provides operation management and marketing services to the City for the Stockton. Events Center includes a multi-purpose indoor arena, a baseball park, the Events Center common areas, the Bob Hope Theatre, Oak Park Ice Arena and the Downtown Marina.

The current agreement will extend the terms until 2026 and may be renewed at the option of the City for one additional five-year period. Either party may terminate the Agreement for cause during the agreement period due to a material breach by the other party or for default.

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

SMG is required to provide various fidelity and performance bonds, which includes various types of coverage in the amount of \$1,000,000. This coverage extends to the areas of Commercial General and Automobile Liability, Professional Errors and Omissions, Crime, Employment and Worker's Compensation. Additionally, there is an Umbrella Liability coverage requirement of \$5,000,000.

Compensation to SMG is determined from a base fee for all venues, plus performance-based compensation, as defined in the Agreement. Both components are eligible for periodic adjustments based on the consumer price index (CPI).

Financial activities of SMG, as a service organization, is combined with and reported in the General Fund

Note 16 – Restricted Net Position

At June 30, 2018, restricted net position consisted of the following:

	Governmental Activities	Business - Type Activities	Totals
Restricted:			
Capital projects	\$ 22,179,437	\$ 44,009,319	\$ 66,188,756
Debt service	2,609,327	2,795,319	5,404,646
Section 108 loan	1,277,452	-	1,277,452
Community Development	26,996,621	-	26,996,621
General government	1,471,723	-	1,471,723
Housing	6,884,793	-	6,884,793
Library and arts	13,660,787	-	13,660,787
Parks and recreation	16,755,141	-	16,755,141
Public safety	6,151,166	-	6,151,166
Solid waste/recycling	1,875,139	-	1,875,139
Streets, transit and traffic	49,447,830	-	49,447,830
Encumbrances	52,545	-	52,545
Pension	21,144,804	-	21,144,804
Total restricted	\$ 170,506,765	\$ 46,804,638	\$ 217,311,403

Note 17 – Subsequent Events***Prepayment of Bonds and Leases through the use of Cash on hand and internal borrowing between funds***

On August 1, 2018, the City prepaid the remaining balances of the 2006A Lease Revenue Refunding bonds, and three fire truck leases through the internal borrowing of funds.

On August 1, 2018 the City used existing cash on hand to prepay the remaining balances of the 2010 Civic HVAC lease.

Refunding of City of Stockton and Stockton Public Financing Authority Revenue Bonds Series 2002A, 2005A, and 2009B Series

On October 16, 2018 The City Council of the City of Stockton and the board of the Stockton Public Financing Authority authorized the issuance of Series 2018 refunding revenue bonds to defease the outstanding balances of the 2002A, 2005A, and the 2009B Series Water Revenue bonds.

On November 20, 2018, \$145,220,000 in revenue bonds were issued and the remaining balances of the 2002A, 2005A, and 2009B Water bonds were defeased and are no longer considered outstanding for reporting purposes. The 2002A and 2005A bonds will be redeemed on December 20, 2018, while funds to redeem the 2009B bonds were placed in an irrevocable escrow with the Trustee, Wells Fargo Corporate Trust and will be redeemed from that escrow on October 1, 2019.

Note 17 – Subsequent Events (Continued)***Issuance of Debt in Districts that have no commitment from City resources*****Arch Road / Newcastle CFD 2018-1 debt issuance**

Arch Road/Newcastle Road CFD 2018-1 was formed on June 19, 2018. The district was formed pursuant to Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code, as amended, commonly known as the "Mello-Roos Community Facilities Act of 1982".

In August 2018, the City issued \$3,535,000 to finance acquisition of infrastructure improvements in the district. Payment of the bonds are solely derived from special taxes levied in the district and city funds are not pledged toward repayment of the bonds.

Arch Road CFD 99-02 Refunding of existing bonds with additional issuance made to finance additional improvements

In December 2018, CFD 99-02 bonds were issued in the amount of \$24,210,000 to refund \$17,760,000 in currently outstanding bonds. The additional amount was to provide proceeds needed to finance infrastructure improvements in the district. Payment of the bonds are solely derived from special taxes levied in the district and city funds are not pledged toward repayment of the bonds.

Note 18 – Special Items

In July 2018, City Council authorized the close out of non-active assessment and special district redemption and project accounts and the transfer all residual account balances to the City funds. This transfer was made pursuant to the use of assessment and special district surplus funds and Section 3.76.141 of the Stockton Municipal Code. Detail for the transfers is as follows:

	Governmental Activities	Business-Type Activities	Totals
Transfer from non operating CFD			
Debt Service Fund/ CFD 96-01B	\$ 151,186	\$ -	\$ 151,186
Developer Fee Financing CFD 96-01	88,042	-	88,042
The Landing Reassessment District #212	42,411	-	42,411
Arch Road Phase III #209	16,165	-	16,165
Western Pacific Refunding	9,439	-	9,439
Weston Ranch	303,523	-	303,523
Brookside Estates	86,593	-	86,593
Spanos Park	428,741	-	428,741
Weston Ranch No 1	2,072,417	-	2,072,417
Brookside Construction	124,539	-	124,539
Spanos Park CFD 90-4	12,589	-	12,589
Brookside Estates Phase II	43,981	-	43,981
North Stockton Open Space	1,076,879	-	1,076,879
Weber Sperry AD 88-1	334,158	-	334,158
Spanos Park East	147,725	1,741,048	1,888,773
Airport 84-1 Phase IV	509,377	-	509,377
La Morada AD 96-4	134,110	-	134,110
Stockton Airport #219 Phase III	288,031	-	288,031
Stockton Airport Phase IV	320,061	-	320,061
La Morada	12,736	-	12,736
South Stockton Interim Sewer CFD 90-1	-	498,134	498,134
West Lane Calaveras Storm District	-	353,386	353,386
Blossom Ranch SER 224	-	618,501	618,501
Blossom Ranch AD 93-1	-	329,081	329,081
Total	<u>\$ 6,202,703</u>	<u>\$ 3,540,150</u>	<u>\$ 9,742,853</u>



REQUIRED SUPPLEMENTARY INFORMATION

City of Stockton
Required Supplementary Information (Unaudited)
For the year ended June 30, 2018

1. Budgetary Information

Budget 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, HOME Programs Loans Special Revenue Fund, Low-Moderate Income Housing City Loans Special Revenue Fund and certain nonmajor special revenue funds (Solid Waste and Recycling, Gas Tax, Measure K Streets Sales Tax, Measure W Public Safety Sales Tax, Special Assessments, Development Services, and Other Special Revenue) and certain capital projects funds (Public Facilities Impact Fees and Capital Improvement) have legally adopted annual budgets. Prior to July 1, the original adopted budget is legally enacted through the passage of a resolution by the City Council. In the event this does not occur, the City Manager's draft budget is in force until a budget is adopted by the City Council.

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

If expenditures exceed appropriations at the department level for the General Fund or at the fund level for all other funds, 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 alternately 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.

City of Stockton
Required Supplementary Information (Unaudited)
For the year ended June 30, 2018

1. Budgetary Information (Continued)

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

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

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

The write-off uncollectable 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 uncollectable.

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
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Budgetary Comparison Schedule - General Fund

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
Property	\$ 33,222,000	\$ 33,222,000	\$ 33,068,112	\$ (153,888)
Utility user	34,133,000	34,133,000	35,415,081	1,282,081
Sales - levied by City	31,020,000	31,020,000	31,735,727	715,727
Franchise fees	12,640,000	12,640,000	13,243,016	603,016
Business license	11,836,700	11,836,700	11,914,756	78,056
Hotel/motel room	2,990,000	2,990,000	3,193,420	203,420
Document transfer	750,000	750,000	1,126,240	376,240
Other	1,372,461	1,372,461	2,322,820	950,359
Licenses and permits	513,303	513,303	509,137	(4,166)
Intergovernmental:				
Federal grants and subsidies	-	475,946	475,946	-
Sales and use tax - levied by state	47,290,298	47,290,298	48,615,140	1,324,842
Other governmental	29,593,509	30,446,825	30,880,435	433,610
Charges for services	8,858,606	8,858,606	8,709,232	(149,374)
Fines and forfeitures	809,837	809,837	1,173,349	363,512
Use of money and property	8,391,267	8,931,267	7,972,714	(958,553)
Investment income:				
Interest income	1,752,300	1,752,300	864,129	(888,171)
Refunds and reimbursements	5,167,210	5,167,210	5,360,866	193,656
Miscellaneous	4,923,846	5,023,846	5,486,198	462,352
	235,264,337	237,233,599	242,066,318	4,832,719
EXPENDITURES:				
General government:				
City council	681,326	832,770	754,471	78,299
City manager	1,456,904	1,438,291	1,423,830	14,461
City attorney	1,374,113	1,628,193	1,627,089	1,104
City clerk	910,301	804,349	796,269	8,080
City auditor	560,004	969,534	487,316	482,218
Administrative services	5,379,646	5,397,591	5,120,237	277,354
Human resources	2,339,061	2,537,966	2,033,712	504,254
Housing	2,519,661	3,711,829	1,382,678	2,329,151
Non-departmental	6,935,080	5,663,162	2,339,528	3,323,634
Total general government	22,156,096	22,983,685	15,965,130	7,018,555

City of Stockton
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Budgetary Comparison Schedule - General Fund (continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Police	121,359,013	122,131,232	120,807,932	1,323,300
Fire	44,842,262	48,491,144	47,091,339	1,399,805
Total public safety	166,201,275	170,622,376	167,899,271	2,723,105
Public works	6,597,561	7,324,929	7,073,025	251,904
Library	11,576,967	11,957,491	11,134,945	822,546
Parks and recreation	18,131,463	18,898,870	17,700,328	1,198,542
Capital Outlay	543,000	1,826,441	1,066,853	759,588
Total expenditures	225,206,362	233,613,792	220,839,552	12,774,240
DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	13,855,566	(1,315,790)	21,226,766	17,606,959
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	500,000	500,000	799,789	299,789
Special item (Note 18)	-	-	307,242	307,242
Transfers in	1,836,929	2,007,077	1,653,655	(353,422)
Transfers out	(8,796,845)	(36,423,163)	(36,192,961)	230,202
Total other financing sources (uses)	(6,459,916)	(33,916,086)	(33,432,275)	483,811
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u>\$ 4,914,220</u>	<u>\$ (10,507,136)</u>	(12,205,509)	<u>\$ 18,090,770</u>
BASIS ADJUSTMENT:				
Encumbrances (included in Final Budget above)			-	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			(12,205,509)	
FUND BALANCE, BEGINNING OF YEAR			102,687,135	
FUND BALANCE, END OF YEAR			<u>\$ 90,481,626</u>	

* Adjusted to Budgetary Basis.

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

City of Stockton
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Budgetary Comparison Schedule - HOME Program Loans Special Revenue Fund

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental:	\$ 1,612,102	\$ 2,959,290	\$ 477,933	\$ (2,481,357)
Use of money and property	-	-	480,471	480,471
Total revenues	<u>1,612,102</u>	<u>2,959,290</u>	<u>958,404</u>	<u>(2,000,886)</u>
EXPENDITURES:				
Capital outlay	<u>1,612,102</u>	<u>2,959,290</u>	<u>320,267</u>	<u>2,639,023</u>
Total expenditures	<u>1,612,102</u>	<u>2,959,290</u>	<u>320,267</u>	<u>2,639,023</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u>\$ -</u>	<u>\$ -</u>	638,137	<u>\$ (4,639,909)</u>
BASIS ADJUSTMENT:				
Encumbrances			-	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			638,137	
FUND BALANCE, BEGINNING OF YEAR			<u>111,497</u>	
FUND BALANCE, END OF YEAR			<u>\$ 749,634</u>	

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

City of Stockton
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Budgetary Comparison Schedule - Low and Moderate-Income Housing City Loans Special Revenue Fund

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	\$ 47,500	\$ 47,500	\$ 111,436	\$ 63,936
Interest income	15,000	15,000	31,714	16,714
Miscellaneous	-	-	1,555	1,555
Total revenues	62,500	62,500	144,705	82,205
EXPENDITURES:				
Capital outlay	2,673,620	2,673,620	751,339	1,922,281
Total expenditures	2,673,620	2,673,620	751,339	1,922,281
DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	(2,611,120)	(2,611,120)	(606,634)	2,004,486
OTHER FINANCING SOURCES (USES):				
Transfers in	977,122	977,122	359,258	(617,864)
Transfers out	-	-	-	-
Total other financing sources (uses)	977,122	977,122	359,258	(617,864)
NET CHANGE IN FUND BALANCE (GAAP BASIS)	\$ (1,633,998)	\$ (1,633,998)	(247,376)	\$ 1,386,622
BASIS ADJUSTMENT:				
Encumbrances			-	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			(247,376)	
FUND BALANCE, BEGINNING OF YEAR			3,507,039	
FUND BALANCE, END OF YEAR			\$ 3,259,663	

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

City of Stockton
Required Supplementary Information
For the year ended June 30, 2018

2. Defined Benefit Pension Plan Funded Status

Schedule of Changes in the City's Net Pension Liability and Relations Ratios for the Measurement Periods Ended June 30

Safety Plan	Measurement Date		
	2017	2016	2015
Total pension liability			
Service cost	\$ 15,401,471	\$ 13,548,998	\$ 13,593,233
Interest	71,053,021	69,765,169	67,693,599
Changes of benefit terms			
Differences between expected and actual experience	(9,538,805)	(3,570,311)	(5,410,590)
Changes of assumptions	59,494,381	-	(16,908,140)
Benefit payments, including refunds of employee contributions	(53,205,686)	(51,615,173)	(49,614,935)
Net change in total pension liability	83,204,382	28,128,683	9,353,167
Total pension liability - beginning	962,695,080	934,566,397	925,213,230
Total pension liability - ending (a)	\$ 1,045,899,462	\$ 962,695,080	\$ 934,566,397
Plan fiduciary net position			
Contributions - employer	23,342,334	20,338,253	17,178,961
Contributions - employee	6,617,527	5,940,342	5,896,729
Net investment income	73,783,913	3,348,803	15,155,169
Benefit payments, including refunds of employee contributions	(53,205,686)	(51,615,173)	(49,614,935)
Plan to plan resource movement	-	-	3,305
Administrative expense	(975,302)	(416,243)	(771,300)
Other	-	-	-
Net change in plan fiduciary net position	\$ 49,562,786	\$ (22,404,018)	\$ (12,152,071)
Plan fiduciary net position - beginning	660,580,329	682,984,347	695,136,418
Plan fiduciary net position - ending (b)	710,143,115	660,580,329	682,984,347
City's net pension liability - ending (a) - (b)	\$ 335,756,347	\$ 302,114,751	\$ 251,582,050
Plan fiduciary net position as a percentage of the total pension liability	67.90%	68.62%	73.08%
Covered - employee payroll	\$ 48,429,252	\$ 47,115,477	\$ 46,710,538
City's net pension liability as a percentage of covered employee payroll	693.29%	641.22%	538.60%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

City of Stockton
Required Supplementary Information
For the year ended June 30, 2018

2. Defined Benefit Pension Plan Funded Status (Continued)

Schedule of Changes in the City's Net Pension Liability and Relations Ratios for the Measurement Periods Ended June 30 (Continued)

Miscellaneous Plan	Measurement Date		
	2017	2016	2015
Total pension liability			
Service cost	\$ 10,871,947	\$ 9,240,648	\$ 9,145,587
Interest	48,291,460	48,179,529	47,148,768
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(17,662,863)	(8,961,502)	(10,000,256)
Changes of assumptions	39,356,599	-	(11,281,319)
Benefit payments, including refunds of employee contributions	(34,494,172)	(34,150,397)	(33,662,380)
Net change in total pension liability	46,362,971	14,308,278	1,350,400
Total pension liability - beginning	665,522,421	651,214,143	649,863,743
Total pension liability - ending (a)	\$ 711,885,392	\$ 665,522,421	\$ 651,214,143
Plan fiduciary net position			
Contributions - employer	13,189,681	13,879,482	10,783,508
Contributions - employee	4,386,770	3,971,944	3,802,226
Net investment income	56,250,959	2,491,249	11,522,892
Benefit payments, including refunds of employee contributions	(34,494,172)	(34,150,397)	(33,662,380)
Plan to plan resource movement	-	933	(13,377)
Administrative expense	(743,130)	(315,359)	(599,978)
Other	-	-	-
Net change in plan fiduciary net position	\$ 38,590,108	\$ (14,122,148)	\$ (8,167,109)
Plan fiduciary net position - beginning	503,328,332	517,450,480	525,617,589
Plan fiduciary net position - ending (b)	541,918,440	503,328,332	517,450,480
City's net pension liability - ending (a) - (b)	\$ 169,966,952	\$ 162,194,089	\$ 133,763,663
Plan fiduciary net position as a percentage of the total pension liability	76.12%	75.63%	79.46%
Covered - employee payroll	\$ 61,357,565	\$ 56,400,439	\$ 53,997,677
City's net pension liability as a percentage of covered employee payroll	277.01%	287.58%	247.72%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

City of Stockton
Required Supplementary Information
For the year ended June 30, 2018

2. Defined Benefit Pension Plan Funded Status (Continued)

Schedule of Changes in the City's Net Pension Liability and Relations Ratios for the Measurement Periods Ended June 30 (Continued)

Enhancement Plan	Measurement Date		
	2018	2017	2016
Total pension liability			
Service cost	\$ 138,078	\$ 134,056	\$ 150,623
Interest	730,559	701,117	680,023
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Demographic gains/losses	-	(110,133)	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(429,654)	(407,870)	(397,530)
Net change in total pension liability	438,983	317,170	433,116
Total pension liability - beginning	10,509,684	10,192,514	9,759,398
Total pension liability - ending (a)	\$ 10,948,667	\$ 10,509,684	\$ 10,192,514
Plan fiduciary net position			
Contributions - employer	941,620	528,894	705,192
Contributions - employee	-	-	-
Net investment income	409,596	596,724	8,851
Benefit payments, including refunds of employee contributions	(429,654)	(407,870)	(397,530)
Administrative expense	(13,992)	(13,097)	(43,490)
Other	-	-	-
Net change in plan fiduciary net position	\$ 907,570	\$ 704,651	\$ 273,023
Plan fiduciary net position - beginning	6,552,365	5,847,714	5,574,691
Plan fiduciary net position - ending (b)	7,459,935	6,552,365	5,847,714
City's net pension liability - ending (a) - (b)	\$ 3,488,732	\$ 3,957,319	\$ 4,344,800
Plan fiduciary net position as a percentage of the total pension liability	68.14%	62.35%	57.37%
Covered - employee payroll	\$ 3,427,436	\$ 3,327,608	\$ 3,454,139
City's net pension liability as a percentage of covered employee payroll	101.79%	118.92%	125.79%

City of Stockton
Required Supplementary Information
For the year ended June 30, 2018

2. Defined Benefit Pension Plan Funded Status (Continued)

Schedule of Changes in the City's Plan Contribution for the Measurement Periods Ended June 30

Safety Plan	Fiscal Year			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 10,544,700	\$ 23,342,334	\$ 20,338,253	\$ 17,178,961
Contributions in relation to the actuarially determined contribution	(26,126,022)	(23,342,334)	(20,338,253)	(17,178,961)
Contribution deficiency (excess)	<u>\$ (15,581,322)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 49,882,130	\$ 48,429,252	\$ 47,115,477	\$ 46,710,538
City's Contributions as a percentage of covered employee payroll	52.38%	48.20%	43.17%	36.78%

SAFTEY PLAN:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal.
Amortization method/Period	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. Varies, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service.
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of Stockton
Required Supplementary Information
For the year ended June 30, 2018

2. Defined Benefit Pension Plan Funded Status (Continued)

Miscellaneous Plan	Fiscal Year			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 6,589,564	\$ 13,189,681	\$ 12,545,482	\$ 10,783,518
Contributions in relation to the actuarially determined contribution	(15,255,530)	(13,189,681)	(13,879,482)	(10,783,518)
Contribution deficiency (excess)	<u>\$ 8,665,966</u>	<u>\$ -</u>	<u>\$ (1,334,000)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 63,198,292	\$ 61,357,565	\$ 56,400,439	\$ 53,997,677
City's Contributions as a percentage of covered employee payroll	24.14%	21.50%	24.61%	19.97%

MISCELLANEOUS PLAN:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal.
Amortization Method/Period	Varies, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. Varies, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service.
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2001.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of Stockton
Required Supplementary Information
For the year ended June 30, 2018

2. Defined Benefit Pension Plan Funded Status (Continued)

Schedule of Changes in the City's Plan Contribution for the Measurement Periods Ended June 30 (Continued)

Enhancement Plan	Fiscal Year			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 753,296	\$ 705,192	\$ 705,192	\$ 700,451
Contributions in relation to the actuarially determined contribution	(941,620)	(528,894)	(705,192)	(751,157)
Contribution deficiency (excess)	<u>\$ (188,324)</u>	<u>\$ 176,298</u>	<u>\$ -</u>	<u>\$ (50,706)</u>
Covered - employee payroll	\$ 3,427,436	\$ 3,327,608	\$ 3,454,139	\$ 3,610,315
City's Contributions as a percentage of covered employee payroll	27.47%	15.89%	20.42%	20.81%

ENHANCEMENT PLAN:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal.
Amortization method	Level dollar, closed.
Remaining amortization period	11.67 years
Asset valuation method	None
Inflation	2.75%
Salary increases	Varies by entry age and service.
Investment rate of return	7.00%
Retirement age	Consistent with those used to value the Miscellaneous CalPERS Pension Plans 2.7% at age 55. The rates used are those for retirees with 20 years of service, with an increased retirement rate of 20% at age 55.
Mortality	Pre-retirement: CalPERS Miscellaneous Non-Industrial Rates. Post-retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex-district) projected using Scale AA and base year of 2008.



NONMAJOR GOVERNMENTAL FUNDS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The City's non-major governmental special revenue funds include:

Special Grants Fund

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

Solid Waste and Recycling Fund

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

Gas Tax Fund

To account for revenues and expenditures apportioned to the City under the California Streets and Highway Code, sections 2103 through 2107.5. Expenditures of these resources for administration, maintenance and construction must be street and transportation related.

Measure K streets Sales Tax Fund

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

Measure M Strong Communities Initiative

Measure M implements a dedicated one-quarter (1/4) cent special transactions and use sales tax for a period of 16 years for the provision of library and recreation services. On May 24, 2016, the Stockton City Council approved placing a one-quarter (1/4) cent sales tax on the November 8, 2016, General Election ballot with a Council vote of 7 - 0 and adopted Resolution 2016-05-24-1602. Minor amendments were made to define the incorporated area of the City of Stockton, the election date, and to correct the name of a state board that had changed, based on comments received from the California State Board of Equalization, and the Resolution was superseded by Resolution 2016-06-07-1212 on June 7, 2016.

Measure W Public Safety Tax Fund

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

Special Assessment Fund

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

Community Development Block Grant Programs Fund

To account for federal grant programs and other resources that provide for development of a viable urban community by providing a suitable living environment and expansion of economic opportunities, principally for low- and moderate-income residents. This fund includes the City's annual federal funding from the Community Development Block Grant, Community Rehabilitation Loan program, federal revolving loan program, and revitalization activities in the designated Urban Development Action Grant area.

Neighborhood Stabilization Loan Program Fund

To account for the City's Neighborhood Stabilization Loan Program that provides loans to non- profit housing developers to acquire and rehabilitate abandoned and foreclosed homes, and provides down payment assistance to qualified low- and moderate-income households who purchase from the non-profit organization authorized under the NSLP program as authorized by Division B, Title 111 of the U.S. Housing and Economic Recovery Act of 2008.



NON-MAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

Housing Grants and Loans Program Fund

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

Development Services Fund

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

Cal-Home Programs Fund

To account for resources for the City's CalHome State Loan Program that support homeownership programs aimed at very low income households. This fund includes the City's annual funding to single family, down-payment assistance and single family rehabilitation.

Other Special Revenue Fund

To account for the resources of comparatively smaller special revenue funds, including the Litigated Asset Seizure public safety program, State Housing Loan Program and various governmental expendable special revenue/trusts of funds donated to the City for various community projects and programs.

Transportation Development Act Fund

To account for the Local Transportation Fund revenues derived from a 1/4-cent general sales tax. The use the revenues for non-transit related purposes.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The City's non-major governmental capital project funds include:

Public Facilities Impact Fees Capital Projects Fund

To account for the collection of and expenditure of fees imposed as a condition of new development within the City, in compliance with California Government Code Section 66006 (AB 1600).

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

DEBT SERVICE FUNDS

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

The City's non-major governmental debt service funds include:

Stockton Public Financing Authority Debt Service Fund

To account for the accumulation of resources for the retirement of principal and interest payment on long-term debt for municipal bonds issued on behalf of and approved by the Stockton Public Financing Authority.

PERMANENT FUND

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

City of Stockton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue				
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax	Measure M Strong Communities
ASSETS					
Assets:					
Cash and investments	\$ 2,120,515	\$ 1,992,512	\$ 2,972,190	\$ 8,572,213	\$ 8,494,150
Cash and investments with fiscal agents	-	-	-	-	-
Receivables, net:					
Interest	-	8,516	-	40,887	-
Accounts and other	185,464	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments, net	2,110,113	-	679,410	8,569,853	1,633,622
Prepaid items	-	-	-	-	-
Loans to other funds, net	-	-	-	-	-
Loans to Successor Agency, net	-	-	-	-	-
Loans to property owners, net	-	-	-	-	-
Total assets	4,416,092	2,001,028	3,651,600	17,182,953	10,127,772
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 444,334	\$ 14,548	\$ 548,363	\$ 2,882,476	\$ 242,386
Accrued payroll	131,094	54,881	158,512	32,541	127,092
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deposits and other liabilities	-	3,915	-	-	-
Unearned revenue	2,186,708	-	-	-	-
Total liabilities	2,762,136	73,344	706,875	2,915,017	369,478
Deferred Inflows of Resources:					
Unavailable revenue - Loans to property owners	-	-	-	-	-
Unavailable revenue - Other	-	-	-	2,644,897	-
Unearned rent	-	-	-	-	-
Total deferred inflows of resource	-	-	-	2,644,897	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,653,956	1,927,684	2,944,725	11,623,039	9,758,294
Total fund balances	1,653,956	1,927,684	2,944,725	11,623,039	9,758,294
Total liabilities, deferred inflows of resources and fund balances	\$ 4,416,092	\$ 2,001,028	\$ 3,651,600	\$ 17,182,953	\$ 10,127,772

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue				
	Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grants / Loans Program
ASSETS					
Assets:					
Cash and investments	\$ 2,141,755	\$ 15,745,865	\$ 999,415	\$ 153,186	\$ 3,716
Cash and investments with fiscal agents	-	-	-	-	1,531,557
Receivables, net:					
Interest	7,650	70,039	-	-	1,699
Accounts and other	-	2,852	5,737	-	-
Due from other funds	-	-	-	-	-
Due from other governments, net	1,673,027	-	232,158	(113,904)	-
Prepaid items	-	-	-	-	-
Loans to other funds, net	-	-	-	-	-
Loans to Successor Agency, net	-	-	-	-	-
Loans to property owners, net	-	-	19,355,601	9,875,607	-
Total assets	3,822,432	15,818,756	20,592,911	9,914,889	1,536,972
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 167,065	\$ 183,882	\$ 131,390	\$ 38,418	\$ -
Accrued payroll	365,721	22,430	24,008	864	-
Due to other funds	-	-	72,427	-	-
Due to other governments	-	-	9,289	-	-
Deposits and other liabilities	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	532,786	206,312	237,114	39,282	-
Deferred Inflows of Resources:					
Unavailable revenue - Loans to property owners	-	-	19,355,601	9,875,607	-
Unavailable revenue - Other	-	-	-	-	-
Unearned rent	-	-	-	-	-
Total deferred inflows of resource	-	-	19,355,601	9,875,607	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	3,289,646	15,612,444	1,000,196	-	1,536,972
Total fund balances	3,289,646	15,612,444	1,000,196	-	1,536,972
Total liabilities, deferred inflows of resources and fund balances	\$ 3,822,432	\$ 15,818,756	\$ 20,592,911	\$ 9,914,889	\$ 1,536,972

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue				Capital Projects
	Development Services	CalHome Programs	Other Special Revenue	Transportation Development Act	Public Facilities Impact Fees
ASSETS					
Assets:					
Cash and investments	\$ 12,016,240	\$ 294,243	\$ 1,408,111	\$ -	\$ 51,613,053
Cash and investments with fiscal agents	-	-	-	-	-
Receivables, net:					
Interest	50,923	-	-	-	228,800
Accounts and other	358,030	44,085	2,618	-	1,721,067
Due from other funds	-	-	-	-	-
Due from other governments, net	30,000	-	26,430	536,545	-
Prepaid items	-	-	-	-	-
Loans to other funds, net	-	-	-	-	-
Loans to Successor Agency, net	-	-	-	-	-
Loans to property owners, net	-	3,317,406	-	-	-
Total assets	12,455,193	3,655,734	1,437,159	536,545	53,562,920
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 265,946	\$ -	\$ 4,074	\$ 481,452	\$ 64,228
Accrued payroll	259,183	-	2,633	542	9,358
Due to other funds	-	-	-	52,581	-
Due to other governments	-	-	-	-	-
Deposits and other liabilities	381,974	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	907,103	-	6,707	534,575	73,586
Deferred Inflows of Resources:					
Unavailable revenue - Loans to property owners	-	3,317,406	-	-	-
Unavailable revenue - Other	163,913	-	-	-	204,678
Unearned rent	-	-	-	-	-
Total deferred inflows of resource	163,913	3,317,406	-	-	204,678
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	11,384,177	338,328	1,430,452	1,970	53,284,656
Total fund balances	11,384,177	338,328	1,430,452	1,970	53,284,656
Total liabilities, deferred inflows of resources and fund balances	\$ 12,455,193	\$ 3,655,734	\$ 1,437,159	\$ 536,545	\$ 53,562,920

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Debt Service Stockton Public Financing Authority	Permanent Miscellaneous	Totals
ASSETS			
Assets:			
Cash and investments	\$ 1,575,679	\$ 415,775	\$ 110,518,618
Cash and investments with fiscal agents	96	-	1,531,653
Receivables, net:			
Interest	7,871	1,213	417,598
Accounts and other	-	-	2,319,853
Due from other funds	-	-	-
Due from other governments, net	-	-	15,377,254
Prepaid items	-	-	-
Loans to other funds, net	-	-	-
Loans to Successor Agency, net	-	-	-
Loans to property owners, net	-	-	32,548,614
Total assets	1,583,646	416,988	\$ 162,713,590
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,029	\$ -	\$ 5,476,591
Accrued payroll	22,136	-	1,210,995
Due to other funds	-	-	125,008
Due to other governments	-	-	9,289
Deposits and other liabilities	-	-	385,889
Unearned revenue	-	-	2,186,708
Total liabilities	30,165	-	9,394,480
Deferred Inflows of Resources:			
Unavailable revenue - Loans to property owners	-	-	32,548,614
Unavailable revenue - Other	-	-	3,013,488
Unearned rent	-	-	-
Total deferred inflows of resource	-	-	35,562,102
Fund Balances:			
Nonspendable	-	370,061	370,061
Restricted	1,553,481	46,927	117,386,947
Total fund balances	1,553,481	416,988	117,757,008
Total liabilities, deferred inflows of resources and fund balances	\$ 1,583,646	\$ 416,988	\$ 162,713,590

(Concluded)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue				
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax	Measure M Strong Communities
REVENUES:					
Taxes:					
Sales - levied by City	\$ -	\$ -	\$ -	\$ -	\$ 10,430,105
Business licenses	-	-	-	-	-
Other	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental:					
Federal grants and subsidies	1,934,372	-	-	-	-
Sales and use tax - levied by state	-	-	-	5,202,124	-
Other governmental	2,504,067	-	8,541,149	14,681,898	-
Charges for services	1,679,055	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Investment income:					
Interest income	30,604	2,129	24,127	2,516	-
Refunds and reimbursements	-	-	192,341	910,521	-
Miscellaneous	162,305	1,522,523	-	63,787	-
Total revenues	6,310,403	1,524,652	8,757,617	20,860,846	10,430,105
EXPENDITURES:					
Current:					
General government	759,122	-	-	-	-
Public safety	4,316,067	-	-	-	-
Public works	99,064	1,494,679	7,306,472	2,614,533	-
Library	(5,820)	-	-	-	1,255,420
Parks and recreation	52,329	-	307,752	-	1,807,981
Capital outlay	258,534	-	393,536	14,204,453	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	5,479,296	1,494,679	8,007,760	16,818,986	3,063,401
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	831,107	29,973	749,857	4,041,860	7,366,704
OTHER FINANCING SOURCES (USES):					
Transfers in	74,571	-	-	-	-
Transfers out	(333,000)	-	43,030	141,205	-
Transfer from Successor Agency, net	-	-	-	-	-
Total other financing sources (uses)	(258,429)	-	43,030	141,205	-
CHANGE IN FUND BALANCES	572,678	29,973	792,887	4,183,065	7,366,704
FUND BALANCES:					
Beginning of year	1,081,278	1,897,711	2,151,838	7,439,974	2,391,590
End of year	\$ 1,653,956	\$ 1,927,684	\$ 2,944,725	\$ 11,623,039	\$ 9,758,294

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue				
	Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grants / Loans Program
REVENUES:					
Taxes:					
Sales - levied by City	\$ 10,622,255	\$ -	\$ -	\$ -	\$ -
Business licenses	-	1,592,426	-	-	-
Other	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental:					
Federal grants and subsidies	-	-	2,945,002	101,784	-
Sales and use tax - levied by state	-	-	-	-	-
Other governmental	-	-	-	-	-
Charges for services	-	3,386,077	2,600	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	608,737	106,177	-
Investment income:					
Interest income	(203)	9,866	-	-	12,801
Refunds and reimbursements	-	-	-	-	-
Miscellaneous	-	-	605,114	-	-
Total revenues	10,622,052	4,988,369	4,161,453	207,961	12,801
EXPENDITURES:					
Current:					
General government	-	1,593,196	-	-	-
Public safety	10,197,669	-	-	-	-
Public works	-	233,633	-	-	-
Library	-	-	-	-	-
Parks and recreation	-	2,557,364	-	-	-
Capital outlay	31,393	-	1,689,282	207,961	-
Debt service:					
Principal retirement	-	-	1,455,000	-	-
Interest and fiscal charges	-	-	461,159	-	-
Total expenditures	10,229,062	4,384,193	3,605,441	207,961	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	392,990	604,176	556,012	-	12,801
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(162,104)	-	-
Transfer from Successor Agency, net	-	-	(134,375)	-	-
Total other financing sources (uses)	-	-	(296,479)	-	-
CHANGES IN FUND BALANCES	392,990	604,176	259,533	-	12,801
FUND BALANCES:					
Beginning of year	2,896,656	15,008,268	740,663	-	1,524,171
End of year	\$ 3,289,646	\$ 15,612,444	\$ 1,000,196	\$ -	\$ 1,536,972

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue				Capital Projects
	Development Services	CalHome Programs	Other Special Revenue	Transportation Development Act	Public Facilities Impact Fees
REVENUES:					
Taxes:					
Sales - levied by City	\$ -	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-	-
Other	-	-	-	593,548	-
Licenses and permits	5,636,501	-	68,023	-	-
Intergovernmental:					
Federal grants and subsidies	-	-	26,153	-	-
Sales and use tax - levied by state	-	-	-	-	-
Other governmental	-	-	75,710	-	-
Charges for services	5,723,356	-	36,027	-	8,326,354
Fines and forfeitures	73,976	-	-	-	-
Use of money and property	-	208,819	-	-	39,604
Investment income:					
Interest income	7,410	-	13,883	(130)	49,155
Refunds and reimbursements	126,017	-	6,600	-	876,326
Miscellaneous	80,146	-	284,948	-	20,251
Total revenues	11,647,406	208,819	511,344	593,418	9,311,690
EXPENDITURES:					
Current:					
General government	8,032,483	-	72,504	-	-
Public safety	1,929,723	-	35,475	-	48,146
Public works	-	-	-	-	31,007
Library	-	-	31,952	-	-
Parks and recreation	-	-	12,125	-	23,929
Capital outlay	-	-	78,948	536,545	1,599,370
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	9,962,206	-	231,004	536,545	1,702,452
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,685,200	208,819	280,340	56,873	7,609,238
OTHER FINANCING SOURCES (USES):					
Transfers in	925,000	-	-	-	-
Transfers out	(490,500)	-	(40,435)	-	(12,899)
Transfer from Successor Agency, net	-	-	-	-	-
Total other financing sources (uses)	434,500	-	(40,435)	-	(12,899)
CHANGES IN FUND BALANCES	2,119,700	208,819	239,905	56,873	7,596,339
FUND BALANCES:					
Beginning of year	9,264,477	129,509	1,190,547	(54,903)	45,688,317
End of year	\$ 11,384,177	\$ 338,328	\$ 1,430,452	\$ 1,970	\$ 53,284,656

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Debt Service Stockton Public Financing Authority	Permanent Miscellaneous	Totals
REVENUES:			
Taxes:			
Sales - levied by City	\$ -	\$ -	\$ 21,052,360
Business licenses	-	-	1,592,426
Other	-	-	593,548
Licenses and permits	-	-	5,704,524
Intergovernmental:			
Federal grants and subsidies	-	-	5,007,311
Sales and use tax - levied by state	-	-	5,202,124
Other governmental	-	-	25,802,824
Charges for services	1,514,381	-	20,667,850
Fines and forfeitures	-	-	73,976
Use of money and property	-	-	963,337
Investment income:			
Interest income	(1,568)	(1,074)	149,516
Refunds and reimbursements	-	-	2,111,805
Miscellaneous	10,000	-	2,749,074
Total revenues	1,522,813	(1,074)	91,670,675
EXPENDITURES:			
Current:			
General government	338,103	-	10,795,408
Public safety	-	-	16,527,080
Public works	-	-	11,779,388
Library	-	-	1,281,552
Parks and recreation	-	-	4,761,480
Capital outlay	-	-	19,000,022
Debt service:			
Principal retirement	748,565	-	2,203,565
Interest and fiscal charges	5,306,237	-	5,767,396
Total expenditures	6,392,905	-	72,115,891
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,870,092)	(1,074)	19,554,784
OTHER FINANCING SOURCES (USES):			
Transfers in	4,873,669	-	5,873,240
Transfers out	-	-	(854,703)
Transfer from Successor Agency, net	-	-	(134,375)
Total other financing sources (uses)	4,873,669	-	4,884,162
CHANGES IN FUND BALANCES	3,577	(1,074)	24,438,946
FUND BALANCES:			
Beginning of year	1,549,904	418,062	93,318,062
End of year	\$ 1,553,481	\$ 416,988	\$ 117,757,008

(Concluded)





NONMAJOR ENTERPRISE FUNDS

NON-MAJOR ENTERPRISE FUNDS

Enterprise funds are used to report activities for which a fee is charged to external users for goods and services. These funds are used by governments to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of City Council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of income is appropriate for accountability purposes.

The City's non-major enterprise funds include:

Downtown Marina Enterprise Fund

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

Golf Courses Enterprise Fund

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

City of Stockton
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2018

	Downtown Marina	Golf Courses	Total
ASSETS			
Current assets:			
Cash and investments	\$ 382,875	\$ 276,578	\$ 659,453
Receivables, net:			
Interest	1,662	-	1,662
Accounts and other receivables	5,591	-	5,591
Inventory of supplies	-	45,503	45,503
Prepays	1,250	2,583	3,833
Total current assets	391,378	324,664	716,042
Noncurrent assets:			
Capital assets, net:			
Nondepreciable	-	359,805	359,805
Depreciable, net	22,831,567	573,932	23,405,499
Total noncurrent assets	22,831,567	933,737	23,765,304
Total assets	23,222,945	1,258,401	24,481,346
LIABILITIES			
Current liabilities:			
Accounts payable	59,275	56,179	115,454
Accrued payroll	759	1,576	2,335
Due to other governments	-	4,025	4,025
Deposits and other liabilities	8,298	81,245	89,543
Unearned revenue	11,047	-	11,047
Total current liabilities	79,379	143,025	222,404
Noncurrent liabilities:			
Notes payable	10,870,821	-	10,870,821
Total noncurrent liabilities	10,870,821	-	10,870,821
Total liabilities	10,950,200	143,025	11,093,225
NET POSITION			
Net investment in capital assets	11,960,746	933,737	12,894,483
Unrestricted	311,999	181,639	493,638
Total net position	\$ 12,272,745	\$ 1,115,376	\$ 13,388,121

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	Downtown Marina	Golf Course	Total
OPERATING REVENUES:			
Charges for services	\$ 140,037	\$ 754,182	\$ 894,219
Miscellaneous	5	882,197	882,202
Total operating revenues	<u>140,042</u>	<u>1,636,379</u>	<u>1,776,421</u>
OPERATING EXPENSES:			
Operation and maintenance	442,619	2,173,007	2,615,626
General and administrative	69,640	-	69,640
Depreciation and amortization	531,869	81,995	613,864
Total operating expenses	<u>1,044,128</u>	<u>2,255,002</u>	<u>3,299,130</u>
OPERATING (LOSS)	<u>(904,086)</u>	<u>(618,623)</u>	<u>(1,522,709)</u>
NON-OPERATING REVENUES:			
Investment income:			
Interest income	398	(15,073)	(14,675)
Other non-operating revenues	100,000	-	100,000
Total non-operating revenues	<u>100,398</u>	<u>(15,073)</u>	<u>85,325</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(803,688)</u>	<u>(633,696)</u>	<u>(1,437,384)</u>
TRANSFERS:			
Transfers in	212,000	700,000	912,000
Total transfers	<u>212,000</u>	<u>700,000</u>	<u>912,000</u>
CHANGES IN NET POSITION	<u>(591,688)</u>	<u>66,304</u>	<u>(525,384)</u>
NET POSITION:			
Beginning of year	<u>12,864,433</u>	<u>1,049,072</u>	<u>13,913,505</u>
End of year	<u>\$ 12,272,745</u>	<u>\$ 1,115,376</u>	<u>\$ 13,388,121</u>

City of Stockton
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	Downtown Marina	Golf Courses	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 158,166	\$ 756,979	\$ 915,145
Payments to suppliers and employees	(495,803)	(2,173,500)	(2,669,303)
Miscellaneous receipts	5	882,197	882,202
Net cash (used in) operating activities	<u>(337,632)</u>	<u>(534,324)</u>	<u>(871,956)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	-	(23,645)	(23,645)
Net cash (used in) noncapital financing activities	<u>-</u>	<u>(23,645)</u>	<u>(23,645)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	212,000	700,000	912,000
Other non-operating revenues	100,000	-	100,000
Net cash provided by noncapital financing activities	<u>312,000</u>	<u>700,000</u>	<u>1,012,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	(90)	(15,073)	(15,163)
Net cash (used in) noncapital financing activities	<u>(90)</u>	<u>(15,073)</u>	<u>(15,163)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,722)	126,958	101,236
CASH AND CASH EQUIVALENTS:			
Beginning of year	408,597	149,620	558,217
End of year	<u>\$ 382,875</u>	<u>\$ 276,578</u>	<u>\$ 659,453</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating (loss)	\$ (904,086)	\$ (618,623)	\$ (1,522,709)
Adjustments to reconcile operating (loss) to net cash (used in) by operating activities:			
Depreciation and amortization	531,869	81,995	613,864
Changes in assets and liabilities:			
Accounts and other receivables	21,872	2,797	24,669
Inventory of supplies	-	(6,763)	(6,763)
Prepays	-	1,578	1,578
Accounts payable	18,314	(3,681)	14,633
Accrued payroll	523	694	1,217
Due to other governments	-	1,203	1,203
Unearned revenues	(3,743)	-	(3,743)
Deposits and other liabilities	(2,381)	6,476	4,095
Net cash (used in) operating activities	<u>\$ (337,632)</u>	<u>\$ (534,324)</u>	<u>\$ (871,956)</u>



INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

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

The City's internal service funds include:

General Liability Insurance Fund

To account for premiums and claims paid and the administration of general liability insurance provided to all City departments on a cost reimbursement basis. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions.

Workers' Compensation Insurance Fund

To account for premiums and claims paid and the administration of workers' compensation liability insurance provided to all City employees incurring injury on the job, of which health benefits and other related liability costs are funded by City department payments into the fund. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions.

Employee and Retiree Health Insurance Fund

To account for premiums and claims paid and the administration of health benefits insurance provided to qualified active and qualified retired City employees, with City departmental payments made to the Fund sought to reimburse health related expenses incurred by the Fund. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions.

Retirement Benefits Fund

To account for the accumulation and payout of resources for the purpose of providing defined retirement and disability benefits, annual cost of living adjustments and death benefits to City employee plan members and beneficiaries through the California Public Employees' Retirement System ("CalPERS") on a cost reimbursement basis. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions, of which were pre-funded by bond proceeds from the 2007 Taxable Pension Obligations Bonds, Series A and B.

Other Benefits and Insurance Fund

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

Vehicle Fleet Equipment Fund

To account for the financing, operations, servicing and maintenance of fleet vehicles and major equipment utilized by City departments, of which the services are rendered on a cost reimbursement basis.

Computer Equipment Fund

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

Radio Equipment Fund

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

Other Equipment Fund

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

City of Stockton
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits	Other Benefits & Insurance
ASSETS					
Current assets:					
Cash and investments	\$ 16,614,071	\$ 43,546,595	\$ 11,712,272	\$ 8,370,594	\$ 2,488,592
Receivables, net:					
Interest	72,051	190,476	50,655	33,432	11,379
Accounts and other receivables	258,659	46,059	15,379	-	-
Due from other funds	-	125,008	-	-	-
Deposits and advances	-	-	1,159,000	-	-
Prepaid items	-	-	501,250	-	-
Total current assets	16,944,781	43,908,138	13,438,556	8,404,026	2,499,971
Noncurrent assets:					
Restricted assets:					
Cash and investments	-	-	-	21,144,804	-
Cash and investments with fiscal agents	-	-	-	-	-
Capital assets, net:					
Nondepreciable	-	-	-	-	-
Depreciable, net	-	-	-	-	-
Total noncurrent assets	-	-	-	21,144,804	-
Total assets	16,944,781	43,908,138	13,438,556	29,548,830	2,499,971
LIABILITIES					
Current liabilities:					
Accounts payable	192,526	5,237	209,106	98,972	21,620
Accrued payroll	43,429	21,972	29,129	646	-
Loans from Successor Agency, net	-	500,000	-	-	-
Deposits and other liabilities	-	49,104	-	-	-
Accrued interest	-	-	-	-	-
Capital lease obligations - current	-	-	-	-	-
Compensated absences - current	13,248	12,863	12,911	-	-
Self-insurance claims and judgments - current	5,919,175	8,031,000	462,000	-	-
Total current liabilities	6,168,378	8,620,176	713,146	99,618	21,620
Noncurrent liabilities:					
Compensated absences - long-term	9,410	-	-	-	-
Self-insurance claims and judgments - long-term	10,338,880	40,287,000	-	-	-
Capital lease obligations - long term	-	-	-	-	-
Total noncurrent liabilities	10,348,290	40,287,000	-	-	-
Total liabilities	16,516,668	48,907,176	713,146	99,618	21,620
DEFERRED INFLOWS OF RESOURCES					
Deferred rent	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
NET POSITION					
Net investment in capital assets	-	-	-	-	-
Restricted for debt service	-	-	-	-	-
Restricted for pensions	-	-	-	21,144,804	-
Unrestricted (deficits)	428,113	(4,999,038)	12,725,410	8,304,408	2,478,351
Total net position	\$ 428,113	\$ (4,999,038)	\$ 12,725,410	\$ 29,449,212	\$ 2,478,351

See accompanying Notes to the Basic Financial Statements.

City of Stockton
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2018

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
ASSETS					
Current assets:					
Cash and investments	\$ 6,692,928	\$ 29,500,464	\$ 3,431,662	\$ 1,466,857	\$ 123,824,035
Receivables, net:					
Interest	25,148	126,789	14,189	6,361	530,480
Accounts and other receivables	29,249	-	-	-	349,346
Due from other funds	-	-	-	-	125,008
Deposits and advances	-	-	-	-	1,159,000
Prepaid items	12,378	692,773	5,920	49,200	1,261,521
Total current assets	6,759,703	30,320,026	3,451,771	1,522,418	127,249,390
Noncurrent assets:					
Restricted assets:					
Cash and investments	-	-	-	-	21,144,804
Cash and investments with fiscal agents	1,055,846	-	-	-	1,055,846
Capital assets, net:					
Nondepreciable	1,098,021	-	-	-	1,098,021
Depreciable, net	17,136,563	2,290,882	1,154,610	72,547	20,654,602
Total noncurrent assets	19,290,430	2,290,882	1,154,610	72,547	43,953,273
Total assets	26,050,133	32,610,908	4,606,381	1,594,965	171,202,663
LIABILITIES					
Current liabilities:					
Accounts payable	398,919	1,043,671	398,135	36,321	2,404,507
Accrued payroll	143,827	239,589	6,642	2,563	487,797
Loans from Successor Agency, net	-	-	-	-	500,000
Deposits and other liabilities	-	-	-	-	49,104
Accrued interest	78,205	-	-	-	78,205
Capital lease obligations - current	613,225	-	-	-	613,225
Compensated absences - current	93,292	182,053	-	7,376	321,743
Self-insurance claims and judgments - current	-	-	-	-	14,412,175
Total current liabilities	1,327,468	1,465,313	404,777	46,260	18,866,756
Noncurrent liabilities:					
Compensated absences - long-term	46,093	133,044	-	4,255	192,802
Self-insurance claims and judgments - long-term	-	-	-	-	50,625,880
Capital lease obligations - long term	3,867,229	-	-	-	3,867,229
Total noncurrent liabilities	3,913,322	133,044	-	4,255	54,685,911
Total liabilities	5,240,790	1,598,357	404,777	50,515	73,552,667
DEFERRED INFLOWS OF RESOURCES					
Deferred rent	-	214,100	-	-	214,100
Total deferred inflows of resources	-	214,100	-	-	214,100
NET POSITION					
Net investment in capital assets	13,754,130	2,290,882	1,154,610	72,547	17,272,169
Restricted for debt service	1,055,846	-	-	-	1,055,846
Restricted for pensions	-	-	-	-	21,144,804
Unrestricted (deficits)	5,999,367	28,507,569	3,046,994	1,471,903	57,963,077
Total net position	\$ 20,809,343	\$ 30,798,451	\$ 4,201,604	\$ 1,544,450	\$ 97,435,896

See accompanying Notes to the Basic Financial Statements.

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits	Other Benefits & Insurance
OPERATING REVENUES:					
Charges for services	\$ 5,165,260	\$ 11,399,144	\$ 20,162,342	\$ 60,684,976	\$ 1,544,541
Miscellaneous	5,953	-	119,041	-	-
Total operating revenues	5,171,213	11,399,144	20,281,383	60,684,976	1,544,541
OPERATING EXPENSES:					
Operation and maintenance	7,800,679	4,777,522	20,780,079	53,105,538	1,999,663
General and administrative	1,293,264	2,595,585	1,036,265	-	-
Depreciation and amortization	-	-	-	-	-
Total operating expenses	9,093,943	7,373,107	21,816,344	53,105,538	1,999,663
OPERATING INCOME (LOSS)	(3,922,730)	4,026,037	(1,534,961)	7,579,438	(455,122)
NON-OPERATING REVENUES (EXPENSES):					
Investment income:					
Interest income	24,279	46,399	25,729	61,151	3,480
Gain from disposal of capital assets	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	-
Other non-operating revenues	-	-	296,343	-	-
Total non-operating revenues (expenses)	24,279	46,399	322,072	61,151	3,480
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(3,898,451)	4,072,436	(1,212,889)	7,640,589	(451,642)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	18,562,620	-
Transfers out	-	-	-	-	-
Total capital contributions and transfers	-	-	-	18,562,620	-
CHANGES IN NET POSITION	(3,898,451)	4,072,436	(1,212,889)	26,203,209	(451,642)
NET POSITION:					
Beginning of year	4,326,564	(9,071,474)	13,938,299	3,246,003	2,929,993
End of year	\$ 428,113	\$ (4,999,038)	\$ 12,725,410	\$ 29,449,212	\$ 2,478,351

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
OPERATING REVENUES:					
Charges for services	\$ 12,004,335	\$ 15,166,100	\$ 1,916,502	\$ 371,735	\$ 128,414,935
Miscellaneous	-	-	-	-	124,994
Total operating revenues	12,004,335	15,166,100	1,916,502	371,735	128,539,929
OPERATING EXPENSES:					
Operation and maintenance	6,016,412	11,567,975	1,130,808	336,693	107,515,369
General and administrative	1,901,403	-	-	-	6,826,517
Depreciation and amortization	3,627,599	668,661	169,648	29,769	4,495,677
Total operating expenses	11,545,414	12,236,636	1,300,456	366,462	118,837,563
OPERATING INCOME (LOSS)	458,921	2,929,464	616,046	5,273	9,702,366
NON-OPERATING REVENUES (EXPENSES):					
Investment income:					
Interest income	7,767	23,053	(1,633)	1,670	191,895
Gain from disposal of capital assets	105,599	-	-	-	105,599
Interest expense and fiscal charges	(181,351)	-	-	-	(181,351)
Other non-operating revenues	-	-	-	-	296,343
Total non-operating revenues (expenses)	(67,985)	23,053	(1,633)	1,670	412,486
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	390,936	2,952,517	614,413	6,943	10,114,852
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	437,793	88,286	-	-	526,079
Transfers in	344,353	2,913,745	700,000	-	22,520,718
Transfers out	(382,000)	-	-	(2,913,745)	(3,295,745)
Total capital contributions and transfers	400,146	3,002,031	700,000	(2,913,745)	19,751,052
CHANGES IN NET POSITION	791,082	5,954,548	1,314,413	(2,906,802)	29,865,904
NET POSITION:					
Beginning of year	20,018,261	24,843,903	2,887,191	4,451,252	67,569,992
End of year	\$ 20,809,343	\$ 30,798,451	\$ 4,201,604	\$ 1,544,450	\$ 97,435,896

City of Stockton
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits	Other Benefits & Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts for interfund services provided	5,561,735	11,256,082	20,266,004	60,684,976	1,544,541
Payments to suppliers	(9,116,239)	(7,397,549)	(22,198,898)	(53,467,803)	(1,997,655)
Payments to employees	(4,564)	6,844	(2,649)	1,046	-
Claims and insurance paid	3,378,677	(804,000)	58,000	-	-
Net cash provided by (used in) operating activities	(180,391)	3,061,377	(1,877,543)	7,218,219	(453,114)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	-	18,562,620	-
Transfers out	-	-	-	-	-
Contribution from other funds	-	-	-	-	-
Other non-operating revenues	-	-	296,343	-	-
Net cash provided by (used in) noncapital financing activities	-	-	296,343	18,562,620	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	-	-	-	-	-
Purchases of capital assets	-	-	-	-	-
Capital contributions received	-	-	-	-	-
Principal paid on debt	-	-	-	-	-
Interest paid on debt	-	-	-	-	-
Net cash (used in) capital and related financing activities	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	4,911	(17,488)	18,296	34,169	1,679
Deferred rent	-	-	-	-	-
Net cash provided by investing activities	4,911	(17,488)	18,296	34,169	1,679
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(175,480)	3,043,889	(1,562,904)	25,815,008	(451,435)
CASH AND CASH EQUIVALENTS:					
Beginning of year	16,789,551	40,502,706	13,275,176	3,700,390	2,940,027
End of year	\$ 16,614,071	\$ 43,546,595	\$ 11,712,272	\$ 29,515,398	\$ 2,488,592

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance	Retirement Benefits	Other Benefits & Insurance
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:					
Cash and investments	\$ 16,614,071	\$ 43,546,595	\$ 11,712,272	\$ 8,370,594	\$ 2,488,592
Restricted assets:					
Cash with investments fiscal agents	-	-	-	21,144,804	-
Total cash and investments	<u>\$ 16,614,071</u>	<u>\$ 43,546,595</u>	<u>\$ 11,712,272</u>	<u>\$ 29,515,398</u>	<u>\$ 2,488,592</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ (3,922,730)	\$ 4,026,037	\$ (1,534,961)	\$ 7,579,438	\$ (455,122)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	-	-	-	-	-
Changes in assets and liabilities:					
Accounts and other receivables	390,522	(45,760)	(15,379)	-	-
Due from other funds	-	(97,302)	-	-	-
Prepaid items	-	-	(501,250)	-	-
Accounts payable	(22,296)	(24,442)	118,696	(362,265)	2,008
Accrued payroll	(8,763)	(3,169)	(6,741)	1,046	-
Due to other funds	-	(500,000)	-	-	-
Loans from Successor Agency, net		500,000	-	-	-
Compensated absences	4,199	10,013	4,092	-	-
Self-insurance - claims and judgments	3,378,677	(804,000)	58,000	-	-
Net cash provided by (used in) operating activities	<u>\$ (180,391)</u>	<u>\$ 3,061,377</u>	<u>\$ (1,877,543)</u>	<u>\$ 7,218,219</u>	<u>\$ (453,114)</u>
NONCASH TRANSACTIONS:					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts for interfund services provided	12,023,266	15,166,100	1,916,502	371,735	128,790,941
Payments to suppliers	(7,830,738)	(10,717,686)	(908,370)	(390,599)	(114,025,537)
Payments to employees	21,854	33,254	(8,310)	(4,884)	42,591
Claims and insurance paid	-	-	-	-	2,632,677
Net cash provided by (used in) operating activities	4,214,382	4,481,668	999,822	(23,748)	17,440,672
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	344,353	2,913,745	700,000	-	22,520,718
Transfers out	(382,000)	-	-	(2,913,745)	(3,295,745)
Contribution from other funds	(782,146)	(91,864)	-	3,578	(870,432)
Other non-operating revenues	-	-	-	-	296,343
Net cash provided by (used in) noncapital financing activities	(819,793)	2,821,881	700,000	(2,910,167)	18,650,884
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	159,707	-	-	-	159,707
Purchases of capital assets	(2,158,218)	(599,006)	-	-	(2,757,224)
Capital contributions received	437,793	88,286	-	-	526,079
Principal paid on debt	(605,839)	-	-	-	(605,839)
Interest paid on debt	(177,099)	-	-	-	(177,099)
Net cash (used in) capital and related financing activities	(2,343,656)	(510,720)	-	-	(2,854,376)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	(1,120)	(31,658)	(10,788)	8,883	6,884
Deferred rent	-	57,981	-	-	57,981
Net cash provided by investing activities	(1,120)	26,323	(10,788)	8,883	64,865
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,049,813	6,819,152	1,689,034	(2,925,032)	33,302,045
CASH AND CASH EQUIVALENTS:					
Beginning of year	6,698,961	22,681,312	1,742,628	4,391,889	112,722,640
End of year	\$ 7,748,774	\$ 29,500,464	\$ 3,431,662	\$ 1,466,857	\$ 146,024,685

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:					
Cash and investments	\$ 6,692,928	\$ 29,500,464	\$ 3,431,662	\$ 1,466,857	\$ 123,824,035
Restricted assets:					
Cash with investments fiscal agents	1,055,846	-	-	-	22,200,650
Total cash and investments	\$ 7,748,774	\$ 29,500,464	\$ 3,431,662	\$ 1,466,857	\$ 146,024,685
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 458,921	\$ 2,929,464	\$ 616,046	\$ 5,273	\$ 9,702,366
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	3,627,599	668,661	169,648	29,769	4,495,677
Changes in assets and liabilities:					
Accounts and other receivables	18,931	-	-	-	348,314
Due from other funds	-	-	-	-	(97,302)
Prepaid items	(12,378)	35,298	17,556	3,398	(457,376)
Accounts payable	99,455	814,991	204,882	(57,304)	773,725
Accrued payroll	7,971	41,373	102	(8,223)	23,596
Due to other funds	-	-	-	-	(500,000)
Loans from Successor Agency, net	-	-	-	-	500,000
Compensated absences	13,883	(8,119)	(8,412)	3,339	18,995
Self-insurance - claims and judgments	-	-	-	-	2,632,677
Net cash provided by (used in) operating activities	\$ 4,214,382	\$ 4,481,668	\$ 999,822	\$ (23,748)	\$ 17,440,672
NONCASH TRANSACTIONS:					
Capital contributions	\$ 437,793	\$ 88,286	\$ -	\$ -	\$ 526,079





AGENCY FUNDS

Agency funds are a type of fiduciary fund used to account for assets held in an agency capacity for parties outside the City. The resources of these funds cannot be used to support the City's own programs.

The City's agency funds include:

Land-Secured Financing Agency Fund

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

Area of Benefit Fees Agency Fund

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

Public Facilities Fees Agency Fund

To account for fees collected on behalf of other governments and agencies related to community new development impacts.

Miscellaneous Agency Fund

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

All Other Agency Funds

To account for various cultural, recreational and educational programs that the City administers on behalf of other governmental and private sector entities and organizations.

City of Stockton
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>LAND-SECURED FINANCING</u>				
Assets:				
Cash and investments	\$ 17,926,273	\$ -	\$ (9,687,718)	\$ 8,238,555
Cash and investments with fiscal agents	3,517,098	-	1,721	3,518,819
Receivables:				
Interest	(66,247)	102,085	-	35,838
Accounts and other receivables	-	-	30,915	30,915
Total assets	\$ 21,377,124	\$ 102,085	\$ (9,655,082)	\$ 11,824,127
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits and other liabilities	21,377,124	-	(9,552,997)	11,824,127
Total liabilities	\$ 21,377,124	\$ -	\$ (9,552,997)	\$ 11,824,127
<u>AREA OF BENEFIT FEES</u>				
Assets:				
Cash and investments	\$ 11,539,529	\$ -	\$ (1,485,859)	\$ 10,053,670
Interest receivable	37,427	10,175	-	47,602
Total assets	\$ 11,576,956	\$ 10,175	\$ (1,485,859)	\$ 10,101,272
Liabilities:				
Deposits and other liabilities	\$ 11,576,956	-	\$ (1,475,684)	\$ 10,101,272
Total liabilities	\$ 11,576,956	\$ -	\$ (1,475,684)	\$ 10,101,272
<u>PUBLIC FACILITIES FEES</u>				
Assets:				
Cash and investments	\$ 1,227,510	\$ 207,939	\$ -	\$ 1,435,449
Receivables:				
Interest	1,097	3,396	-	4,493
Accounts and other receivables	538,237	-	-	538,237
Total assets	\$ 1,766,844	\$ 211,335	\$ -	\$ 1,978,179
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,067,604	\$ 1,067,604
Due to other governments	1,766,844	-	(1,394,506)	372,338
Other liabilities	-	538,237	-	538,237
Total liabilities	\$ 1,766,844	\$ 538,237	\$ (326,902)	\$ 1,978,179

City of Stockton
Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>MISCELLANEOUS</u>				
Assets:				
Cash and investments	\$ 2,571,003	\$ -	\$ (580,458)	\$ 1,990,545
Receivables:				
Interest	12,823	-	(464)	12,359
Accounts and other receivables	4,615,359	698,847	-	5,314,206
Total assets	\$ 7,199,185	\$ 698,847	\$ (580,922)	\$ 7,317,110
Liabilities:				
Accounts payable	\$ 12,414	\$ -	\$ (12,414)	\$ -
Due to other governments	40,087	-	(1,998)	38,089
Deposits and other liabilities	7,146,684	132,337	-	7,279,021
Total liabilities	\$ 7,199,185	\$ 132,337	\$ (14,412)	\$ 7,317,110
<u>ALL OTHER</u>				
Assets:				
Cash and investments	\$ 97,551	\$ -	\$ (21,923)	\$ 75,628
Receivables:				
Interest	(509)	906	-	397
Accounts and other receivables	145	-	(47)	98
Total assets	\$ 97,187	\$ 906	\$ (21,970)	\$ 76,123
Liabilities:				
Accounts payable	\$ 4,103	\$ 12,236	\$ -	\$ 16,339
Deposits and other liabilities	93,084	-	(33,300)	59,784
Total liabilities	\$ 97,187	\$ 12,236	\$ (33,300)	\$ 76,123
<u>TOTAL</u>				
Assets:				
Cash and investments	\$ 33,361,866	\$ 207,939	\$ (11,775,958)	\$ 21,793,847
Cash and investments with fiscal agents	3,517,098	-	1,721	3,518,819
Receivables:				
Interest	(15,409)	116,562	(464)	100,689
Accounts and other receivables	5,153,741	698,847	30,868	5,883,456
Total assets	\$ 42,017,296	\$ 1,023,348	\$ (11,743,833)	\$ 31,296,811
Liabilities:				
Accounts payable	\$ 16,517	\$ 12,236	\$ 1,055,190	\$ 1,083,943
Due to other governments	1,806,931	-	(1,396,504)	410,427
Deposits and other liabilities	40,193,848	132,337	(11,061,981)	29,802,441
Total liabilities	\$ 42,017,296	\$ 144,573	\$ (11,403,295)	\$ 31,296,811

City of Stockton
Measures A and B
Schedule of Sources and Uses
For Year Ended June 30, 2018

	Final Budget	Year End Actual	Variance with Final Budget
Revenues			
Measure A Transaction and Use Tax	\$ 31,020,000	\$ 31,735,727	\$ 715,727
Total revenues	<u>31,020,000</u>	<u>31,735,727</u>	<u>715,727</u>
Uses/Expenditures			
Police			
Salary & benefits			
Sworn	17,037,508	15,907,750	1,129,758
Non-Sworn	3,385,429	2,879,875	505,554
Vacancy savings	(1,635,312)	-	(1,635,312)
Other services	1,893,879	1,613,908	279,971
Materials & supplies			
Fuel	108,308	226,062	(117,754)
Other supplies	418,364	213,637	204,727
Equipment			
Radios	8,499	8,499	-
Vehicles	240,000	240,000	-
Technology upgrades	25,000	-	25,000
Other expenses			
Training	512,305	510,977	1,328
Total police	<u>21,993,980</u>	<u>21,600,708</u>	<u>393,272</u>
Office of Violence Prevention			
Salary & benefits			
Non-sworn	654,522	564,609	89,913
Other services	360,407	275,911	84,496
Materials & supplies			
Fuel	12,000	6,585	5,415
Other supplies	12,094	5,647	6,447
Equipment			
Office equipment	18,624	10,494	8,130
Other expenses	15,750	10,363	5,387
Total Office of Violence Prevention	<u>1,073,397</u>	<u>873,609</u>	<u>199,788</u>
Basis Adjustment			
Encumbrances (included in final budget)	-	174,893	(174,893)
Total Measure B Expenditures	<u>23,067,377</u>	<u>22,649,210</u>	<u>418,167</u>
Crime Prevention (Measure B) expenditures as a % of annual Measure A revenues	<u>74%</u>	<u>71%</u>	<u>58%</u>
Other City Services			
Prior Year - Mission Critical Projects			
Economic development implementation - ULI	27,166	-	27,166
Marketing/communications plan	25,000	-	25,000
General Fund available fund balance	7,900,457	9,086,517	(1,186,060)
Total adjustment	<u>7,952,623</u>	<u>9,086,517</u>	<u>(1,133,894)</u>
Total Uses/Expenditures	<u><u>\$ 31,020,000</u></u>	<u><u>\$ 31,735,727</u></u>	<u><u>\$ (715,727)</u></u>



STATISTICAL SECTION

City of Stockton
Table 1
Net Position by Classification
Last Ten Fiscal Years
(Dollar amounts in thousands)

		Fiscal Year				
		2018	2017	2016	2015	2014
Governmental activities:						
Net investment in capital assets	\$	328,284	\$ 330,655	\$ 287,078	\$ 326,823	\$ 714,595
Restricted		170,507	148,493	153,087	130,763	96,596
Unrestricted		238,421	229,584	196,005	160,224	(62,855)
Total governmental activities net position		737,211	708,732	636,170	617,810	748,336
Business-type activities:						
Net investment in capital assets	\$	367,317	362,886	369,983	379,853	413,783
Restricted		46,805	50,904	54,618	56,521	54,175
Unrestricted		133,656	82,938	44,792	28,751	42,641
Total business-type activities net position		547,778	496,728	469,393	465,125	510,599
Primary government:						
Net investment in capital assets	\$	695,601	693,540	657,061	706,676	1,128,378
Restricted		217,311	199,397	207,705	187,284	150,771
Unrestricted		372,077	312,522	240,797	188,975	(20,214)
Total primary government net position		1,284,989	1,205,460	\$ 1,105,563	\$ 1,082,935	\$ 1,258,935

Note: Some prior year balances may have been restated from previous CAFRs to reflect new GASB implementations or prior period restatements.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 1
Net Position by Classification (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental activities:					
Net investment in capital assets	725,426	\$ 703,266	\$ 645,249	\$ 612,914	\$ 611,775
Restricted	93,905	84,099	122,730	188,655	162,363
Unrestricted	(82,351)	(114,859)	(169,356)	(139,549)	(66,091)
Total governmental activities net position	736,980	672,506	598,623	662,020	708,047
Business-type activities:					
Net investment in capital assets	418,881	432,082	414,066	402,215	400,551
Restricted	56,589	27,976	33,558	30,751	35,408
Unrestricted	38,380	54,340	61,172	41,442	42,449
Total business-type activities net position	513,850	514,398	508,796	474,408	478,408
Primary government:					
Net investment in capital assets	1,144,307	1,135,348	1,059,315	1,015,129	1,012,326
Restricted	150,494	112,075	156,288	219,406	197,771
Unrestricted	(43,971)	(60,519)	(108,184)	(98,107)	(23,642)
Total primary government net position	\$ 1,250,830	\$ 1,186,904	\$ 1,107,419	\$ 1,136,428	\$ 1,186,455

Note: Some prior year balances may have been restated from previous CAFRs to reflect new GASB implementations or prior period restatements.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 2
Changes in Net Position
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses					
Governmental activities:					
General government	\$ 37,259	\$ 33,378	\$ 39,608	\$ 35,576	\$ 34,594
Public safety	212,181	154,932	169,015	123,403	124,806
Public works	38,435	45,670	36,344	37,685	51,942
Library	12,301	10,904	10,406	9,098	9,807
Parks and recreation	23,753	22,481	21,620	20,801	19,456
Interest and fiscal charges	5,964	4,288	2,216	3,401	14,486
Total governmental activities	329,894	271,653	279,209	229,964	255,091
Business-type activities:					
Water utility	39,526	42,886	48,001	47,474	44,720
Wastewater utility	41,648	50,545	58,665	56,153	55,724
Stormwater utility	4,729	5,288	6,601	7,084	5,758
Parking Authority	5,310	5,641	5,384	5,026	5,120
Other	3,299	3,235	3,116	3,374	3,448
Total business-type activities	94,512	107,595	121,767	119,111	114,770
Total expenses	424,406	379,248	400,976	349,075	369,861
Program Revenues					
Governmental activities:					
Charges for services:					
General government	16,451	19,184	15,831	15,169	14,785
Public safety	15,309	9,188	13,663	16,863	21,016
Public works	14,914	3,373	8,292	6,105	5,178
Library	595	377	517	441	437
Parks and recreation	12,194	8,765	9,158	6,145	5,655
Operating grants and contributions	12,402	12,565	12,861	18,823	18,840
Capital grants and contributions	21,426	17,591	16,286	34,268	36,052
Total governmental activities	93,292	71,043	76,608	97,814	101,963
Business-type activities:					
Charges for services:					
Water utility	50,590	42,308	33,277	35,059	37,855
Wastewater utility	68,191	66,833	68,938	65,726	59,953
Stormwater utility	5,683	5,619	5,573	5,569	5,571
Parking Authority	4,447	5,141	4,971	4,170	2,882
Other	1,776	1,675	1,750	1,769	1,870
Operating grants and contributions	3,855	3,889	3,776	5,133	3,865
Capital grants and contributions	6,245	2,971	3,562	2,945	1,112
Total business-type activities	140,787	128,436	121,847	120,371	113,108
Total program revenues	234,078	199,479	198,455	218,185	215,071
Change in Net Position					
Governmental activities	(236,603)	(200,610)	(202,601)	(132,150)	(153,128)
Business-type activities	46,275	20,841	80	1,260	(1,662)
Total primary government	\$ (190,328)	\$ (179,769)	\$ (202,521)	\$ (130,890)	\$ (154,790)

City of Stockton
Table 2
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
General Revenues and Other					
Change in Net Position:					
Governmental activities:					
Taxes:					
Property	\$ 33,112	\$ 32,411	\$ 30,646	\$ 29,573	\$ 28,015
In lieu of sales tax	-	-	8,775	9,816	9,706
Utility user	35,415	34,455	33,379	32,921	32,370
Sales - levied by City (1)	52,788	42,506	39,070	37,208	15,536
Franchise fees	13,243	13,289	12,397	12,379	11,981
Business licenses	13,507	12,243	11,996	10,805	10,392
Hotel/motel room	3,193	2,997	2,711	2,378	2,080
Document transfer	1,078	801	857	587	564
Other	2,916	1,939	1,801	930	728
Shared revenue:					
Vehicle license fees	29,091	21,423	20,354	19,602	18,069
Sales and use tax levied by state (1)	68,467	49,910	45,097	36,904	35,111
Other	165	44	45	49	253
Investment earnings	899	1,966	4,728	1,532	1,128
Gain on sale of capital assets	(203)	578	568	(13,214)	(3,712)
Miscellaneous	4,083	2,820	7,303	16,982	3,042
Special item (Note 18)	6,203	-	-	-	-
Proceeds of long-term debt	-	10,237	-	23,396	-
Extraordinary items	-	-	-	250,701	-
Transfers from Successor Agency, Net	734	-	-	-	-
Transfers	389	654	(297)	383	1,330
Total governmental activities	265,082	228,273	219,430	472,932	166,593
Business-type activities:					
Other taxes	1,271	1,292	1,239	974	1,166
Grants and contributions not restricted to specific programs	100	-	-	-	-
Investment earnings	233	131	2,653	1,172	1,448
Gain on sale of capital assets	20	(1,156)	-	(3,300)	-
Miscellaneous	-	-	-	-	431
Special item	3,540	-	-	-	-
Transfers	(389)	(654)	297	(383)	(1,330)
Extraordinary items (2)	-	-	-	9,548	-
Total business-type activities	4,774	(387)	4,189	8,011	1,715
Total general revenues and other changes in net assets	269,857	227,886	223,619	480,943	168,308
Change in Net Position					
Governmental activities	28,479	27,662	16,829	340,782	13,465
Business-type activities	51,049	20,454	4,271	9,271	53
Total primary government	\$ 79,529	\$ 48,116	\$ 21,100	\$ 350,053	\$ 13,518

(1) Measure A-Public Safety Tax, approved an additional .75% sales tax and Measure M - a new .25% sales tax approved in 2017 contributed to increases

(2) In fiscal year 2015 Extraordinary items for Government activities and Business-type activities relate to GASB #58 Bankruptcy, with both principal and interest debt forgiven. GASB #68 Pension obligations being restated to show on balance sheet.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 2
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Expenses					
Governmental activities:					
General government	\$ 24,909	\$ 41,548	\$ 40,873	\$ 30,765	\$ 33,923
Public safety	108,931	154,230	182,582	187,647	190,692
Public works	49,259	34,635	48,826	56,416	43,985
Library	8,445	10,176	11,589	12,767	14,852
Parks and recreation	19,736	20,760	24,435	22,309	26,038
Interest and fiscal charges	14,615	20,529	19,274	20,430	19,620
Total governmental activities	225,895	281,878	327,579	330,334	329,110
Business-type activities:					
Water utility	48,570	30,162	35,909	28,856	24,146
Wastewater utility	51,166	51,530	49,234	45,958	49,414
Stormwater utility	5,959	6,685	7,406	7,842	8,129
Parking Authority	4,944	4,903	4,264	4,616	4,810
Other	2,939	3,750	3,517	2,394	2,237
Total business-type activities	113,578	97,030	100,330	89,666	88,736
Total expenses	339,473	378,908	427,909	420,000	417,846
Program Revenues					
Governmental activities:					
Charges for services:					
General government	17,977	15,342	17,079	11,387	13,180
Public safety	18,130	15,002	16,765	18,812	22,131
Public works	6,136	6,255	15,005	17,755	19,750
Library	670	719	593	504	4,800
Parks and recreation	6,597	6,037	7,353	6,464	2,104
Operating grants and contributions	23,827	20,460	22,355	17,251	16,051
Capital grants and contributions	57,146	54,487	50,112	40,661	33,112
Total governmental activities	130,483	118,302	129,262	112,834	111,128
Business-type activities:					
Charges for services:					
Water utility	37,464	33,308	30,056	25,775	24,258
Wastewater utility	55,369	50,324	42,598	37,271	35,607
Stormwater utility	5,503	5,888	5,879	5,655	5,498
Parking Authority	2,669	3,487	3,585	3,672	3,934
Other	1,934	2,071	1,852	1,701	-
Operating grants and contributions	4,175	4,175	4,175	2,482	1,845
Capital grants and contributions	4,700	10,139	15,960	4,917	4,409
Total business-type activities	111,814	109,392	104,105	81,473	75,551
Total program revenues	242,297	227,694	233,367	194,307	186,679
Change in Net Position					
Governmental activities	(95,412)	(163,576)	(198,317)	(217,500)	(217,982)
Business-type activities	(1,764)	12,362	3,775	(8,193)	(13,185)
Total primary government	\$ (97,176)	\$ (151,214)	\$ (194,542)	\$ (225,693)	\$ (231,167)

City of Stockton
Table 2
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
General Revenues and Other					
Change in Net Position:					
Governmental activities:					
Taxes:					
Property	\$ 29,420	\$ 32,772	\$ 41,051	\$ 45,549	\$ 58,640
In lieu of sales tax	9,938	8,392	8,118	7,087	9,823
Utility user	31,941	31,505	30,994	30,717	30,854
Sales - levied by City (1)	9,086	8,576	7,875	7,652	7,921
Franchise fees	11,677	12,465	11,503	11,354	11,608
Business licenses	10,153	9,873	9,855	9,717	9,699
Hotel/motel room	2,006	1,933	1,799	1,749	1,962
Document transfer	458	603	583	559	702
Other	287	159	155	203	234
Shared revenue:					
Vehicle license fees	17,433	17,734	20,014	20,468	23,459
Sales and use tax levied by state (1)	34,031	32,604	30,061	28,856	31,245
Other	400	-	352	361	370
Investment earnings	123	2,802	1,620	5,927	13,104
Gain on sale of capital assets	(1)	-	-	8	127
Miscellaneous	2,411	974	1,083	172	722
Special item	-	-	3,270	(288)	(8,736)
Proceeds of long-term debt	-	-	-	-	-
Extraordinary items	-	75,350	-	-	-
Transfers	524	1,718	542	1,382	803
Total governmental activities	159,887	237,460	168,875	171,473	192,537
Business-type activities:					
Other taxes	1,197	1,205	1,152	1,095	1,066
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	530	1,865	3,176	4,192	4,075
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	14	(18,012)	-	-	-
Special item	-	-	-	288	8,736
Transfers	(524)	(1,718)	(542)	(1,382)	(803)
Extraordinary items (2)	-	-	-	-	-
Total business-type activities	1,217	(16,660)	3,786	4,193	13,074
Total general revenues and other changes in net assets	161,104	220,800	172,661	175,666	205,611
Change in Net Position					
Governmental activities	64,475	73,884	(29,442)	(46,027)	(25,445)
Business-type activities	(547)	(4,298)	7,561	(4,000)	(111)
Total primary government	\$ 63,928	\$ 69,586	\$ (21,881)	\$ (50,027)	\$ (25,556)

(1) Measure A-Public Safety Tax, approved an additional .75% sales tax and Measure M - a new .25% sales tax approved in 2017 contributed to increases

(3) In fiscal year 2015 Extraordinary items for Government activities and Business-type activities relate to GASB #58 Bankruptcy, with both principal and interest debt forgiven. GASB #68 Pension obligations being restated to show on balance sheet.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 3
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ 1,303	\$ 1,539	\$ 2,214	\$ 810	\$ 500
Restricted	4,730	4,603	3,549	2,949	3,551
Committed	45,957	56,439	49,088	28,930	34,008
Assigned	2,227	3,922	5,467	-	3,059
Unassigned	36,265	36,184	33,326	38,639	9,751
Total General Fund	90,482	102,687	93,644	71,328	50,869
All other governmental funds					
Nonspendable	370		373	382	443
Restricted	117,387	114,254	122,084	104,785	81,435
Committed	-		-	-	-
Assigned	-		-	-	-
Unassigned	-	3,232	-	-	(20,669)
Total all other governmental funds	117,757	117,486	122,457	105,167	61,209
Total Fund Balance	\$ 208,239	\$ 220,173	\$ 216,101	\$ 176,495	\$ 112,078

Notes:

The City implemented the provisions of GASB Statement #54 in fiscal year 2010 which changed the fund balance classifications. The implementation was implemented prospectively. Other prior year balances were changed based on prior period restatements.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 3
Fund Balance, Governmental Funds (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
General Fund					
Nonspendable	\$ 409	\$ 355	\$ 317	\$ 13,466	\$ -
Restricted	2,334	2,100	2,100	2,100	-
Committed	23,775	8,070	5,081	1,851	-
Assigned	1,710	4,111	4,758	5,730	-
Unassigned	3,093	-	-	-	-
Total General Fund	31,321	14,636	12,256	23,147	-
All other governmental funds					
Nonspendable	369	370	304	1,604	-
Restricted	75,157	83,636	115,700	228,190	-
Committed	-	-	-	67,466	-
Assigned	-	-	-	1,815	-
Unassigned	(18,793)	(18,775)	(15,017)	(63,475)	-
Total all other governmental funds	56,733	65,231	100,987	235,600	-
Total Fund Balance	\$ 88,054	\$ 79,867	\$ 113,243	\$ 258,747	\$ -

	Fiscal Year				
	2013	2012	2011	2010	2009
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 14,175
Unreserved	-	-	-	-	8,607
Total General Fund	-	-	-	-	22,782
All other governmental funds					
Reserved	-	-	-	-	285,941
Unreserved, reported in:					
Special revenue funds	-	-	-	-	6,417
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	(53,248)
Permanent Fund	-	-	-	-	358
Total all other governmental funds	-	-	-	-	239,468
Total Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ 262,250

Notes:

The City implemented the provisions of GASB Statement #54 in fiscal year 2010 which changed the fund balance classifications. The implementation was implemented prospectively. Other prior year balances were changed based on prior period restatements.

City of Stockton
Table 4
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues:					
Taxes:					
Property	\$ 33,068	\$ 32,411	\$ 30,646	\$ 29,573	\$ 28,014
In lieu of sales tax	44		8,775	9,816	9,706
Utility user	35,415	34,455	33,379	32,921	32,369
Sales (levied by City) (1)	52,788	42,506	39,070	37,208	15,536
Franchise fees	13,243	13,289	12,397	12,380	11,981
Business license	13,507	12,243	11,996	10,805	10,392
Hotel/motel room	3,193	2,997	2,711	2,378	2,080
Document transfer	1,126		856	587	565
Other	2,916	1,939	1,535	930	728
Licenses and permits	6,214	5,867	5,347	4,398	3,808
Federal grants and subsidies	13,235	12,859	10,470	21,796	22,453
Other shared revenue (sales and use tax levied by state) (1)	53,817	45,096	45,097	36,904	35,111
Other governmental	57,778	37,364	36,696	41,806	47,951
Charges for services	29,377	22,920	26,473	21,351	19,410
Fines and forfeitures	1,247	1,164	624	3,814	2,925
Use of money and property	9,528	8,197	8,172	9,318	9,536
Investment income:	-				
Interest income	1,063	1,762	3,088	916	650
Refunds and reimbursements	7,887	6,077	5,188	12,710	2,401
Miscellaneous	8,596	6,745	11,246	16,674	7,707
Total revenues	344,044	287,891	293,766	306,285	263,323
Expenditures:					
Current:					
General government	26,761	29,235	27,229	34,652	25,510
Public safety	184,426	171,073	150,853	141,542	129,030
Public works	18,852	15,818	14,861	14,152	14,458
Library	12,416	10,619	10,107	9,880	9,793
Parks and recreation	22,462	20,493	19,295	19,094	17,202
Capital outlay	51,210	31,407	23,857	31,345	43,273
Debt service:	-				
Principal retirement	2,204	13,593	3,325	8,217	9,589
Cost of issuance	-		2,119	-	-
Interest and fiscal charges	5,767	2,872		3,229	4,661
Total expenditures	324,098	295,110	251,646	262,111	253,516
Excess (deficiency) of revenues over (under) expenditures	\$ 19,946	\$ (7,219)	\$ 42,120	\$ 44,174	\$ 9,807

City of Stockton
Table 4
Changes in Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Other financing sources (uses):					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	19,077	23,347	15,916	16,860	13,497
Transfers out	(37,913)	(12,966)	(18,810)	(20,235)	(13,031)
Transfers from successor Agency	734				
Special Item (Note 18)	6,203				
Bond insurers proceeds	-		-	29,178	7,800
Operating transfers out to a component unit	-		-	-	-
Proceeds of current refunding bonds	-		-	-	-
Sales of capital assets	800	492	379	521	200
Advances from other funds			-	-	-
Payment to refunded bond escrow agent			-	(6,080)	-
Total other financing sources (uses)	(11,099)	10,873	(2,515)	20,244	8,466
Special items			-	-	-
Net change in fund balance	8,847	4,457	39,605	64,417	18,273
Fund balance, beginning of year, original	225,581	216,100	176,495	112,078	93,805
Prior period restatement			-	-	-
Fund balance, beginning of year, restated	225,581	216,100	176,495	112,078	93,805
Fund balance, end of year	\$ 234,427	\$ 220,557	\$ 216,100	\$ 176,495	\$ 112,078
Debt service as a percentage of noncapital expenditures	3.0%	6.7%	2.4%	5.2%	7.3%

(1) Measure A-Public Safety Tax, approved an additional .75% sales tax and Measure M - a new .25% sales tax approved in 2017 contributed to increases

Note: Some prior year balances may have been restated from previous CAFRs to reflect new GASB implementations or prior period restatement.

City of Stockton
Table 4
Changes in Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Revenues:					
Taxes:					
Property	\$ 29,420	\$ 32,772	\$ 41,051	\$ 45,549	\$ 58,640
In lieu of sales tax	9,938	8,392	8,118	7,087	9,823
Utility user	31,941	31,505	30,994	30,717	30,854
Sales (levied by City) (1)	9,086	8,576	7,875	7,652	7,921
Franchise fees	11,677	12,465	11,503	11,354	11,608
Business license	10,153	9,873	9,855	9,717	9,699
Hotel/motel room	2,006	1,933	1,799	1,749	1,962
Document transfer	458	603	583	559	702
Other	287	159	155	203	234
Licenses and permits	3,696	4,024	3,584	4,257	4,335
Federal grants and subsidies	23,158	19,927	33,244	26,034	12,976
Other shared revenue (sales and use tax levied by state) (1)	34,031	32,604	30,061	28,856	31,245
Other governmental	71,746	66,985	47,929	47,779	53,498
Charges for services	19,059	21,655	21,262	26,174	31,462
Fines and forfeitures	2,419	2,792	3,538	5,090	4,499
Use of money and property	13,767	11,848	14,966	11,962	13,234
Investment income:					
Interest income	119	2,367	1,339	5,352	11,375
Refunds and reimbursements	1,814	3,213	9,790	5,186	4,113
Miscellaneous	6,942	6,088	7,594	8,449	13,429
Total revenues	281,717	277,781	285,240	283,726	311,609
Expenditures:					
Current:					
General government	23,245	22,742	30,900	21,818	24,272
Public safety	125,331	139,047	152,527	152,714	163,339
Public works	13,498	13,989	13,528	14,029	16,113
Library	9,039	9,537	10,252	11,041	12,485
Parks and recreation	17,733	16,887	19,669	17,948	22,376
Capital outlay	72,568	68,005	66,975	84,194	105,384
Debt service:					
Principal retirement	9,013	5,883	22,661	11,739	3,973
Cost of issuance	-	-	-	846	99
Interest and fiscal charges	5,957	13,531	12,706	12,523	11,938
Total expenditures	276,384	289,621	329,218	326,852	359,979
Excess (deficiency) of revenues over (under) expenditures	\$ 5,333	\$ (11,840)	\$ (43,978)	\$ (43,126)	\$ (48,370)

City of Stockton
Table 4
Changes in Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Other financing sources (uses):					
Capital contributions	\$ -	\$ -	\$ (284)	\$ -	\$ -
Transfers in	-	-	-	-	-
Transfers out	30,678	24,706	78,125	35,341	46,051
Transfers from successor Agency	(30,360)	(25,450)	(74,128)	(34,357)	(45,381)
Special Item (Note 18)					
Bond insurers proceeds					
Operating transfers out to a component unit	8,287	-	-	-	-
Proceeds of current refunding bonds	-	533	30	39,702	6,343
Sales of capital assets	-	-	-	-	-
Advances from other funds	-	-	1,127	-	109
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	8,605	(211)	4,870	40,686	7,122
Special items	-	(21,324)	3,270	(288)	(8,736)
Net change in fund balance	13,938	(33,375)	(35,838)	(3,503)	(49,984)
Fund balance, beginning of year, original	79,868	113,244	258,748	262,250	312,234
Prior period restatement	-	-	(109,666)	-	-
Fund balance, beginning of year, restated	79,868	113,244	149,082	262,250	312,234
Fund balance, end of year	\$ 93,806	\$ 79,869	\$ 113,244	\$ 258,747	\$ 262,250
Debt service as a percentage of noncapital expenditures	7.9%	9.6%	15.6%	11.5%	6.7%

(1) Measure A-Public Safety Tax, approved an additional .75% sales tax and Measure M - a new .25% sales tax approved in 2017 contributed to increases

Note: Some prior year balances may have been restated from previous CAFRs to reflect new GASB implementations or prior period restatement.

City of Stockton
Table 5
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Property (1)	\$ 33,068	\$ 32,411	\$ 30,646	\$ 29,573	\$ 28,014
In lieu of sales tax (2)	44		8,775	9,816	9,706
Utility user	35,415	34,455	33,379	32,921	32,369
Sales (levied by city) (3)	52,788	42,506	39,070	37,208	15,536
Franchise fees	13,243	13,289	12,397	12,380	11,981
Business licenses	13,507	12,243	11,995	10,805	10,392
Hotel/motel room	3,193	2,997	2,711	2,378	2,080
Document transfer	1,126	801	856	587	565
Other	2,916		1,535	930	728
Totals	\$ 155,301	\$ 138,702	\$ 141,364	\$ 136,598	\$ 111,371

(1) Property taxes decreased beginning in 2009 due to declining residential home values and foreclosures, resulting in a devaluation of City's assessed valuation performed by San Joaquin County. Also, between 2008 and 2011, property taxes collected by the RDA was included in the City's property tax revenue.

(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) Measure A-Public Safety Tax, approved an additional .75% sales tax and Measure M - a new .25% sales tax approved in 2017 contributed to increases

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 5
Tax Revenues by Source, Governmental Funds (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year					% Change 2006 (or inception) to 2018
	2013	2012	2011	2010	2009	
Property (1)	\$ 29,420	\$ 32,772	\$ 41,051	\$ 45,549	\$ 58,640	-30%
In lieu of sales tax (2)	9,938	8,392	8,118	7,087	9,823	-100%
Utility user	31,941	31,505	30,994	30,717	30,854	3%
Sales (levied by city) (3)	9,086	8,576	7,875	7,652	7,921	431%
Franchise fees	11,677	12,465	11,503	11,354	11,608	28%
Business licenses	10,153	9,873	9,855	9,717	9,699	20%
Hotel/motel room	2,006	1,933	1,799	1,749	1,962	47%
Document transfer	458	603	583	559	702	-44%
Other	287	159	155	203	234	1238%
Totals	\$ 104,966	\$ 106,278	\$ 111,933	\$ 114,587	\$ 131,443	22%

(1) Property taxes decreased beginning in 2009 due to declining residential home values and foreclosures, resulting in a devaluation of City's assessed valuation performed by San Joaquin County. Also, between 2008 and 2011, property taxes collected by the RDA was included in the City's property tax revenue.

(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) Measure A-Public Safety Tax, approved an additional .75% sales tax and Measure M - a new .25% sales tax approved in 2017 contributed to increases

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 6
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Secured roll	\$ 21,378,475	\$ 20,299,172	\$ 19,473,994	\$ 18,496,369	\$ 16,981,109
Utility roll	5,863	5,833	6,199	6,209	6,228
Unsecured roll	1,629,758	1,596,101	1,651,844	1,638,161	1,557,131
Gross assessed value	23,014,096	21,901,106	21,132,037	20,140,739	18,544,468
Less exemptions (1)	1,532,852	1,786,986	1,729,742	1,717,223	1,699,348
Net assessed value	21,481,244	20,114,120	19,402,295	18,423,516	16,845,120
Land	6,081,944	5,713,082	5,420,167	4,978,511	4,597,437
Improvements	15,666,837	15,004,037	14,501,054	13,928,278	12,868,329
Personal property	1,265,315	1,183,987	1,210,816	1,233,950	1,078,702
Gross assessed value	23,014,096	21,901,106	21,132,037	20,140,739	18,544,468
Less exemptions (1)	1,532,852	1,786,986	1,729,742	1,717,223	1,699,348
Net assessed value	\$ 21,481,244	\$ 20,114,120	\$ 19,402,295	\$ 18,423,516	\$ 16,845,120
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%

(1) For FY 2017, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$220,165,719 and other - \$88,605 = \$220,254,324.

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

City of Stockton
Table 6
Assessed Value and Estimated Actual Value of Taxable Property (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Secured roll	\$ 16,272,927	\$ 16,575,192	\$ 17,388,579	\$ 18,339,819	\$ 20,988,391
Utility roll	7,504	7,204	7,119	7,081	5,633
Unsecured roll	1,566,497	1,566,928	1,606,951	1,628,749	1,588,293
Gross assessed value	17,846,928	18,149,324	19,002,649	19,975,649	22,582,317
Less exemptions (1)	1,608,513	1,654,143	1,584,109	1,514,454	1,398,902
Net assessed value	16,238,415	16,495,181	17,418,540	18,461,195	21,183,415
Land	4,019,017	4,168,722	4,461,053	4,817,327	6,387,373
Improvements	12,696,221	12,846,828	13,284,209	13,910,082	14,984,980
Personal property	1,131,690	1,133,774	1,257,387	1,248,240	1,209,964
Gross assessed value	17,846,928	18,149,324	19,002,649	19,975,649	22,582,317
Less exemptions (1)	1,608,513	1,654,143	1,584,109	1,514,454	1,398,902
Net assessed value	\$ 16,238,415	\$ 16,495,181	\$ 17,418,540	\$ 18,461,195	\$ 21,183,415
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%

(1) For FY 2017, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$220,165,719 and other - \$88,605 = \$220,254,324.

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

City of Stockton
Table 7
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of assessed value)

Fiscal Year	Basic Countywide Levy	City	Total Direct	Stockton Unified School District (1)	San Joaquin Delta College District	Total
2018	1.0000	-	1.0000	0.2054	0.0180	1.2234
2017	1.0000	-	1.0000	0.2537	0.0180	1.2717
2016	1.0000	-	1.0000	0.2710	0.0198	1.2908
2015	1.0000	-	1.0000	0.2280	0.0233	1.2513
2014	1.0000	-	1.0000	0.2105	0.0194	1.2299
2013	1.0000	-	1.0000	0.1917	0.0202	1.2119
2012	1.0000	-	1.0000	0.1601	0.0200	1.1801
2011	1.0000	-	1.0000	0.1730	0.0194	1.1924
2010	1.0000	-	1.0000	0.1273	0.0180	1.1453
2009	1.0000	-	1.0000	0.1497	0.0160	1.1657

(1) Stockton Unified School District Building Loan Repayment.

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

Source: San Joaquin County Tax Rate Book

City of Stockton
Table 8
Principal Property Tax Payers
Current Year and Ten Years Ago
(Dollar amounts in thousands)

	Fiscal Year					
	2018			2009		
Taxpayer	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Prologis	\$ 141,254	1	0.723 %			
PW Fund A LP	127,669	2	0.653 %			
Excel Stockton LLC	126,857	3	0.649 %			
DTE Stockton LLC	115,982	4	0.593 %			
Simpson Manufacturing Co Inc	77,302	5	0.395 %	89,790	3	0.457 %
Pacific Ethanol Stockton LLC	76,035	6	0.389 %			
Ingredion Inc	75,433	7	0.386 %			
Patmon Company Inc	75,161	8	0.385 %			
Wal Mart Stores Inc/Sam's	69,136	9	0.354 %			
ARC BBSTMCA001	66,845	10	0.342 %			
Corn Products International Inc			0.000 %	71,705	2	0.365 %
Levine Investments Ltd PTP/Pacific Companies			0.000 %	101,678	1	0.518 %
Diamond Walnut Growers Inc			0.000 %	66,395	4	0.338 %
Arch Road Limited Partnership			0.000 %	55,002	5	0.280 %
Sherwood Mall LLC			0.000 %	42,929	7	0.219 %
WTM Glimcher LLC			0.000 %	42,335	8	0.216 %
Pavilions Apartments LP			0.000 %	40,003	10	0.204 %
FR Net Co-Invest Prog 10 LLC			0.000 %	43,860	6	0.223 %
Toys R US Inc-TRU Properties Inc			0.000 %	41,202	9	0.210 %
Principal Secured Property Valuation	951,674		4.869 %	594,899		3.030 %
Other Secured Taxpayers	20,426,801		104.503	20,393,492		103.878
Total Secured Property Valuation Before Exemptions	21,378,475		109.372 %	20,988,391		106.908 %
Less Exemptions relative to secured tax roll (1)	1,831,858		9.372	1,356,221		6.908
Total Secured Property Valuation	\$ 19,546,617		100.000 %	\$ 19,632,170		100.000 %

(1) Exemptions relative to secured tax roll:

FY 2018- homeowners - \$220,166 and other - \$1,611,692 = \$1,831,858

FY 2009 - homeowners - \$260,678 and other - \$1,095,543 = \$1,356,221

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

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

City of Stockton
Table 9
Secured Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollar amounts in thousands)

Fiscal Year	Collected Within the Fiscal Year of the Levy			Total Collections to Date		
	Secured Taxes Levied for the Fiscal Year	Amount	Percent of Levy (1)	Collections in Subsequent Years	Amount	Percent of Levy
2018	\$ 31,193	\$ 31,193	100 %		\$ 31,193	100 %
2017	\$ 30,495	\$ 30,495	100 %		\$ 30,495	100 %
2016	\$ 28,907	\$ 28,907	100 %	-	\$ 28,907	100 %
2015	\$ 27,852	\$ 27,852	100 %	-	\$ 27,852	100 %
2014	\$ 25,952	\$ 25,952	100 %	-	\$ 25,952	100 %
2013	\$ 24,745	\$ 24,745	100 %	-	\$ 24,745	100 %
2012	\$ 24,785	\$ 24,785	100 %	-	\$ 24,785	100 %
2011	\$ 26,519	\$ 26,519	100 %	-	\$ 26,519	100 %
2010	\$ 22,150	\$ 22,150	100 %	-	\$ 22,150	100 %
2009	\$ 31,134	\$ 31,134	100 %	-	\$ 31,134	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 delinquency and penalty revenues collected.

Source: San Joaquin County Auditor-Controller's Office

City of Stockton
Table 10
Water Sold by Customer Type
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
<u>Type of Customer</u>					
Residential	8,231,972	7,289,614 cf	7,088,802 cf	8,220,045 cf	9,303,185 cf
Institutional	632,738	573,873	442,461	608,940	651,307
Commercial/Industrial	1,640,471	1,512,098	1,429,848	1,598,432	1,596,477
Irrigation	<u>1,310,062</u>	<u>1,110,614</u>	<u>861,094</u>	<u>1,344,966</u>	<u>1,531,137</u>
Total	<u><u>11,815,243</u></u>	<u><u>10,486,199</u></u> cf	<u><u>9,822,205</u></u> cf	<u><u>11,772,383</u></u> cf	<u><u>13,082,106</u></u> cf

1 cubic foot (cf) = 7.481 gallons

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 11
Water and Wastewater Utility Rates
Last Ten Fiscal Years

Fiscal Year	Water			Wastewater	
	Monthly Base Rate	Tier 1 Additional Per 100 cf**	Tier 2 Additional Per 100 cf**	Monthly Base Rate	
2018	\$ 31.00	\$ 2.23	\$ 2.66	\$ 38.36	
2017	\$ 28.00	\$ 2.00	\$ 2.39	\$ 38.36	
2016	\$ 22.25	\$ 1.67	\$ -	\$ 37.76	
2015	\$ 21.90	\$ 1.64	\$ -	\$ 37.09	
2014	\$ 21.51	\$ 1.61	\$ -	\$ 34.03	
2013	\$ 21.15	\$ 1.58	\$ -	\$ 31.22	
2012	\$ 20.00	\$ 1.40	\$ -	\$ 28.64	
2011	\$ 18.80	\$ 1.21	\$ -	\$ 24.69	
2010	\$ 17.65	\$ 1.02	\$ -	\$ 20.75	
2009	\$ 16.75	\$ 0.82	\$ -	\$ 20.00	

*Effective 8/01/2016-Water Consumption Tier 1 0-15 CF and Tier 2 15+CF.
100 cf = 100 cubic feet (748 gallons)

Rates are based on 1" and less meter, which is the standard household meter size.

**The Utility charges an excess use rate above normal demand.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 12
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollar amounts in thousands, except per capita)

Governmental Activities*							
Fiscal Year	Revenue* Bonds (1)	Certificates of Participation	Redevelopment Agency Revenue Bonds*	Notes Payable / Equip. Leases / Settlements	Pension Bonds*	Total Governmental Activities	
2018	\$ 9,425	\$ -	\$ 99,125	\$ 15,853	\$ 53,547	\$ 177,950	
2017	\$ 9,915	\$ -	\$ 103,320	\$ 18,130	\$ 53,589	\$ 184,954	
2016	\$ 10,385	\$ 11,500	\$ 111,424	\$ 18,298	\$ 53,606	\$ 205,213	
2015	\$ 10,835	\$ 11,890	\$ 113,262	\$ 18,095	\$ 54,530	\$ 208,612	
2014	\$ 75,285	\$ 12,265	\$ 119,210	\$ 20,157	\$ 121,770	\$ 348,687	
2013	\$ 81,465	\$ 12,625	\$ 122,100	\$ 25,326	\$ 123,350	\$ 364,866	
2012	\$ 87,520	\$ 12,970	\$ 124,695	\$ 26,625	\$ 124,280	\$ 376,090	
2011	\$ 88,050	\$ 13,300	\$ 127,200	\$ 29,353	\$ 124,660	\$ 382,563	
2010	\$ 88,560	\$ 13,300	\$ 145,855	\$ 42,881	\$ 124,910	\$ 415,506	
2009	\$ 53,965	\$ 13,300	\$ 155,020	\$ 38,800	\$ 125,040	\$ 386,125	

*Includes settlement amounts for debts adjusted under Chapter 9 of the US Bankruptcy Code.

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements, Note 7-Long-Term Debt and Note 7-Short-Term Debt of these financial statements.

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

(2) These ratios are calculated using the latest available data, personal income for fiscal year 2015 and population for fiscal year 2017.

Sources: City of Stockton Department of Administrative Services
US Dept. of Commerce, Bureau of Economic Analysis
State of California, Department of Finance

City of Stockton
Table 12
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands, except per capita)

Business-type Activities									
Fiscal Year	Revenue Bonds	Certificates of Participation	Notes Payable	Total Business-type Activities	Total	Percent of Personal Income (2)	Amount Per Capita (2)		
2018	\$ 312,700	\$ -	\$ 10,870	\$ 323,570	\$ 501,520	2.32 %	\$ 1,592		
2017	\$ 326,165	\$ -	\$ 10,870	\$ 337,035	\$ 521,989	1.85 %	\$ 1,628		
2016	\$ 336,218	\$ -	\$ 10,954	\$ 347,172	\$ 552,385	2.56 %	\$ 1,750		
2015	\$ 343,926	\$ -	\$ 11,040	\$ 354,966	\$ 563,578	2.61 %	\$ 1,836		
2014	\$ 284,225	\$ 81,270	\$ 11,123	\$ 376,618	\$ 725,305	3.36 %	\$ 2,410		
2013	\$ 289,360	\$ 84,500	\$ 11,202	\$ 385,062	\$ 749,928	3.47 %	\$ 2,531		
2012	\$ 293,425	\$ 87,590	\$ 11,276	\$ 392,291	\$ 768,381	3.56 %	\$ 2,598		
2011	\$ 294,370	\$ 90,545	\$ 11,600	\$ 396,515	\$ 779,078	3.69 %	\$ 2,654		
2010	\$ 240,245	\$ 90,545	\$ 545	\$ 331,335	\$ 746,841	3.87 %	\$ 2,557		
2009	\$ 67,920	\$ 96,105	\$ 610	\$ 164,635	\$ 550,760	2.86 %	\$ 1,896		

*Includes settlement amounts for debts adjusted under Chapter 9 of the US Bankruptcy Code.

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements, Note 7-Long-Term Debt and Note 7-Short-Term Debt of these financial statements.

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

(2) These ratios are calculated using the latest available data, personal income for fiscal year 2015 and population for fiscal year 2017.

Sources: City of Stockton Department of Administrative Services
US Dept. of Commerce, Bureau of Economic Analysis
State of California, Department of Finance

City of Stockton
Table 13
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Dollar amounts in thousands, except per capita)

General Bonded Debt Outstanding*									
Fiscal Year	Lease Revenue Bonds	Certificates of Participation (2)	Pension Obligation Bonds (1)	Redevelopment Agency Bonds*	Total	Percent of Assessed Property Value	Amount Per Capita		
2018	\$ 9,425	\$ -	\$ 53,547	\$ -	\$ 62,972	0.003 %	\$ 199.846		
2017	\$ 9,915	\$ -	\$ 53,589	\$ -	\$ 63,504	0.003 %	\$ 198.107		
2016	\$ 10,385	\$ 11,500	\$ 53,606	\$ -	\$ 75,491	0.004 %	\$ 239.204		
2015	\$ 10,835	\$ 11,890	\$ 54,529	\$ -	\$ 77,254	0.004 %	\$ 251.643		
2014	\$ 75,285	\$ 12,265	\$ 121,770	\$ 119,210	\$ 328,530	0.020 %	\$ 1,091.828		
2013	\$ 81,465	\$ 12,625	\$ 123,350	\$ 122,100	\$ 339,540	0.021 %	\$ 1,145.763		
2012	\$ 87,520	\$ 12,970	\$ 124,280	\$ 124,695	\$ 349,465	0.021 %	\$ 1,181.795		
2011	\$ 88,050	\$ 13,300	\$ 124,660	\$ 127,200	\$ 353,210	0.020 %	\$ 1,203.380		
2010	\$ 88,560	\$ 13,300	\$ 124,910	\$ 145,855	\$ 372,625	0.020 %	\$ 1,275.532		
2009	\$ 53,965	\$ 13,300	\$ 125,040	\$ 155,020	\$ 347,325	0.016 %	\$ 1,195.986		

* Redevelopment Agency Bonds are no longer included in the General Bonded debt

(1)Includes settlement amounts for debts adjusted under Chapter 9 of the US Bankruptcy Code.

(2)General Fund liability limited to only 80.5% of amounts due on principal shown

General bonded debt is payable with governmental fund resources. General obligation bonds (of which the City has none) are backed by the taxing authority of the City (taxes may be raised to provide resources for debt service payments.)

Source: City of Stockton Department of Administrative Services
San Joaquin County Auditor-Controller's Office
State of California, Department of Finance

City of Stockton
Table 14
Direct and Overlapping Governmental Activities Debt

	Total Debt 6/30/2018	Percentage Applicable (1)	City's share of Debt 6/30/2018
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Delta Community College District	\$ 154,305,582	28.060 %	\$ 43,298,146
Stockton Unified School District	362,897,362	85.218	309,253,874
Lodi Unified School District	159,805,000	33.253	53,139,957
Lodi Unified School District School Facilities Improvement District No. 1	32,620,000	84.761	27,649,038
Lincoln Unified School District	78,783,665	86.881	68,448,036
Lincoln Unified School District Community Facilities District No. 1	21,731,567	86.338	18,762,600
Manteca Unified School District	157,329,885	13.699	21,552,621
Manteca Unified School District Community Facilities District No. 1989-1	20,596,718	100.000	20,596,718
Tracy Joint Unified School District and School Facilities Improvement Dist. No.3	129,087,900	0.004 & 0.008	8,802
City of Stockton Community Facilities District No. 99-02	18,035,000	100.000	18,035,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)		100.000	-
City of Stockton Community Facilities District No. 2003-1	1,905,369	100.000	1,905,369
City of Stockton Community Facilities District No. 2006-1	2,661,551	100.000	2,661,551
City of Stockton Community Facilities District No. 2006-3	4,935,548	100.000	4,935,548
City of Stockton 1915 Act Bonds	25,080,000	100.000	25,080,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	5,457,702	18.211	993,902
San Joaquin County Reclamation District No. 17 Assessment District	23,188,598	27.618	6,404,227
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			622,725,389
OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	92,370,000	30.622 %	28,285,541
Lincoln Unified School District Certificates of Participation	4,272,068	86.881	3,711,615
Lodi Unified School District Certificates of Participation	23,510,000	33.253	7,817,780
Manteca Unified School District General Fund Obligations	23,964,000	13.699	3,282,828
Stockton Unified School District Certificates of Participation	35,270,000	85.218	30,056,389
City of Stockton 2006 Lease Revenue Bonds	9,425,000	100.000	9,425,000
City of Stockton Capital Lease Obligations	4,947,840	100.000	4,947,840
City of Stockton Bond Insurere Settlement Agreement Liability	53,547,047	100.000	53,547,047
TOTAL OVERLAPPING GENERAL FUND DEBT			141,074,040
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):			
2016 Tax Allocation Revenue Bonds Series A	73,310,000	100.000 %	73,310,000
2016 Tax Allocation Revenue Bonds Series B	25,815,000	100.000	25,815,000
TOTAL OVERLAPPING TAX INCREMENT DEBT			99,125,000
TOTAL DIRECT DEBT			67,919,887
TOTAL OVERLAPPING DEBT			795,004,542
GROSS COMBINED TOTAL DEBT (2)			862,924,429
2017-18 Assessed Valuation (3):			
(after deducting \$1,563,976,305 Other Exemptions Valuation)	\$ 21,362,445,592		
2017-18 Population	315,103		
Debt Ratios		Per Capita	Value
Total Gross Debt (2)	\$ 862,924,429	\$ 2,739	4.04 %
Ratios to 2017-18 Assessed Valuation: Total Overlapping Tax and Assessment Debt	622,725,389	1,976	2.92
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	67,919,887	216	0.32

(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.

(3) Represents Gross Assessed Valuation after deducting \$1,563,976,305

Sources: California Municipal Statistics, Inc., San Francisco, CA

San Joaquin County Auditor-Controller's Office

State of California, Department of Finance, Demographic Research Unit

City of Stockton
Table 15
Legal Debt Margin Information
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Assessed valuation (1)	\$ 21,362,446	\$ 20,337,129	\$ 19,628,594	\$ 18,653,199	\$ 17,079,491
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	5,340,612	5,084,282	4,907,149	4,663,300	4,269,873
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	801,092	762,642	736,072	699,495	640,481
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	\$ 801,092	\$ 762,642	\$ 736,072	\$ 699,495	\$ 640,481
Legal debt margin/debt limit	100%	100%	100%	100%	100%

(1) Reflects City assessed valuation excluding other exemptions of \$1,454,976,489. Redevelopment Agency was dissolved in 2013.

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries, adjusted for subsequent legislative actions. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal limit. The City of Stockton does carry bonded debt secured by special assessments and other revenue sources, but at this time, doesn't have any outstanding general obligation bonds. The City is not at risk of exceeding its legal debt limit.

Sources: City of Stockton Department of Administrative Services
California Municipal Statistics, Inc., San Francisco, CA
San Joaquin County Auditor-Controller's Office

City of Stockton
Table 15
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Assessed valuation (1)	\$ 16,479,102	\$ 15,572,567	\$ 16,340,562	\$ 16,957,547	\$ 18,903,286
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,119,776	3,893,142	4,085,141	4,239,387	4,725,822
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	617,966	583,971	612,771	635,908	708,873
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	\$ 617,966	\$ 583,971	\$ 612,771	\$ 635,908	\$ 708,873
Legal debt margin/debt limit	100%	100%	100%	100%	100%

(1) Reflects City assessed valuation excluding other exemptions of \$1,454,976,489. Redevelopment Agency was dissolved in 2013.

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries, adjusted for subsequent legislative actions. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal limit. The City of Stockton does carry bonded debt secured by special assessments and other revenue sources, but at this time, doesn't have any outstanding general obligation bonds. The City is not at risk of exceeding its legal debt limit.

Sources: City of Stockton Department of Administrative Services
California Municipal Statistics, Inc., San Francisco, CA
San Joaquin County Auditor-Controller's Office

City of Stockton
Table 16
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars amounts in thousands)

Fiscal Year	Gross Revenues (1)		Less: Operating Expenses (2)		Net Available Revenue		Debt Service			Debt Coverage Ratio			
							Principal	Interest	Total				
Water Revenue Bonds													
2018	\$	53,997	\$	22,595	\$	31,402	\$	4,955	\$	12,686	\$	17,641	1.78
2017	\$	43,643	\$	23,798	\$	19,845	\$	83	\$	12,798	\$	12,881	1.54
2016	\$	37,906	\$	23,312	\$	14,594	\$	87	\$	13,242	\$	13,329	1.09 *
2015	\$	42,416	\$	22,830	\$	19,586	\$	4,263	\$	13,397	\$	17,660	1.11 *
2014	\$	38,991	\$	19,762	\$	19,229	\$	3,939	\$	12,116	\$	16,055	1.20
2013	\$	40,601	\$	21,652	\$	18,949	\$	3,780	\$	10,139	\$	13,919	1.36
2012	\$	35,914	\$	20,055	\$	15,859	\$	711	\$	2,146	\$	2,857	5.55
2011	\$	34,245	\$	19,987	\$	14,258	\$	688	\$	8,839	\$	9,527	1.50
2010	\$	29,131	\$	17,546	\$	11,585	\$	655	\$	3,199	\$	3,854	3.01
2009	\$	26,080	\$	20,123	\$	5,957	\$	627	\$	1,728	\$	2,355	2.53

Note: Net Available Revenue for the Water Bonds provides a 3.35 debt coverage ratio for the senior lien issues and a 1.16 debt coverage ratio for the subordinate lien issues.

(Continued)

* Coverage requirement is 1.15, however, it is applied in sequence, first to the senior, and then to the subordinate issues.
 Done in sequence both senior and subordinate issues met the coverage requirement in both years.

City of Stockton
Table 16
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years
(Dollars amounts in thousands)

Fiscal Year	Gross Revenues (1)		Less: Operating Expenses (2)		Net Available Revenue	Debt Service			Debt Coverage Ratio				
						Principal	Interest	Total					
Wastewater Certificates of Participation													
2018	\$	70,938	\$	41,977	\$	28,961	\$	3,490	\$	3,002	\$	6,492	4.46
2017	\$	68,597	\$	43,201	\$	25,396	\$	3,345	\$	3,139	\$	6,484	3.92
2016	\$	70,532	\$	43,730	\$	26,802	\$	3,230	\$	3,254	\$	6,484	4.13
2015	\$	57,321	\$	39,698	\$	17,623	\$	3,390	\$	3,217	\$	6,607	2.67
2014	\$	61,230	\$	40,173	\$	21,057	\$	3,230	\$	4,143	\$	7,373	2.86
2013	\$	56,316	\$	35,423	\$	20,893	\$	3,090	\$	4,287	\$	7,377	2.83
2012	\$	51,708	\$	35,206	\$	16,502	\$	2,955	\$	4,417	\$	7,372	2.24
2011	\$	45,152	\$	33,325	\$	11,827	\$	-	\$	4,480	\$	4,480	2.64
2010	\$	39,716	\$	30,094	\$	9,622	\$	2,720	\$	4,659	\$	7,379	1.30
2009	\$	38,298	\$	35,002	\$	3,296	\$	2,605	\$	4,770	\$	7,375	0.45 ~ (3)

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

Details regarding the City's outstanding debt can be found in the Note 8 - Long-Term Debt of these financial statements.

(1) Total revenues including investment earnings. Also includes connection fees in Water & Wastewater funds. In 2008 CAFR, statistical section did not include connection fees in Water & Wastewater funds - included in 2009. Also, net increase/decrease in fair value of investments and other non - operating revenues were reported in gross revenues - removed in 2009.

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

(3) The FY 2008-09 Wastewater Certificates of Participation debt coverage ratio fell below the 1.25 times net revenues required by the bond covenants.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 17
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate	Labor Force (1)	Total Housing Units	Household Average Size	Median Family Income	School Enrollment (2)
2018	315,103	\$ 12,748	\$ 40,458	6.3 %	134,500	100,593	3.15	\$ 46,033	99,347
2017	320,554	\$ 12,428	\$ 38,770	7.3 %	127,000	100,254	3.23	\$ 44,797	71,491
2016	315,592	\$ 11,404	\$ 36,136	8.3 %	127,900	100,146	3.20	\$ 45,347	71,738
2015	306,999	\$ 10,670	\$ 34,755	8.5 %	127,000	100,097	3.23	\$ 46,831	66,037
2014	300,899	\$ 9,937	\$ 33,024	12.8 %	125,600	100,025	3.23	\$ 47,246	69,183
2013	296,344	\$ 9,191	\$ 31,013	14.8 %	124,800	100,003	3.20	\$ 47,246	67,997
2012	295,707	\$ 9,171	\$ 31,013	17.0 %	125,400	99,925	3.19	\$ 47,365	68,568
2011	293,515	\$ 9,020	\$ 30,732	20.0 %	128,400	99,637	3.16	\$ 47,797	88,258
2010	292,133	\$ 9,105	\$ 31,166	19.8 %	131,000	97,085	3.09	\$ 63,100	-
2009	290,409	N/A	N/A	18.1 %	130,800	96,854	3.08	\$ 63,600	-

(1) Labor Force corrected for FY 15, FY 16, FY 17 which reported previously as san joaquin county labor force , corrected to state, the city of stockton labor force only.

(2) College and Graduate School Enrollment numbers for 2018 were unavailable, FY 17 enrollment used for statistical reporting

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

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

Sources: City of Stockton Department of Administrative Services & Community Development Department

CA Dept. of Finance and Employment Development Department

US Dept. of Commerce, Bureau of Economic Analysis

US Census Bureau

CA Dept. of Education

City of Stockton
Table 18
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	2018			2009		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
St. Joseph's Medical Center	4,600	1	1.45%	2,230	3	1.70%
Stockton Unified School District	3,854	2	1.22%	4,000	2	3.06%
City of Stockton	1,933	3	0.61%	1,598	4	1.22%
Dameron Hospital	1,200	4	0.38%	1,200	5	0.92%
Kaiser Permanente	1,065	5	0.34%	1,000	6	0.76%
Amazon	1,000	6	0.32%			
San Joaquin Delta College	967	7	0.31%	905	8	0.69%
University of the Pacific	900	8	0.28%	966	7	0.74%
Lincoln Unified School District	803	9	0.25%	-	-	
O'Reilly Auto Parts	600	10	0.19%	-	-	
San Joaquin County				6,449	1	4.93%
Diamond Walnut				855	9	0.65%
Pacific Gas and Electric				817	10	0.62%
				-		
Total	<u>16,922</u>		5.35%	<u>20,020</u>		<u>15.31%</u>

Note: Principal employers are based on best available information.

Sources: San Joaquin Partnership Survey, August 2018
City of Stockton CAFR, 2008

City of Stockton
Table 19
Full-Time Equivalent City Government Employees
By Function/Program/Department
Last Five Fiscal Years

Function/Program/Department:	Fiscal Year				
	2018	2017	2016	2015	2014
Admin Svcs	74	76	65	59	88
City Attorney	11	11	9	10	8
City Clerk	6	7	7	7	5
City Council/Mayor	3	3	1	1	1
City Manager	28	28	25	20	19
Community Development	32	30	33	29	27
Community Services	101	79	82	78	78
Human Resources	27	29	28	26	25
Information Technology	41	39	36	35	-
Police:					
Sworn	470	445	411	387	348
Non-sworn	193	195	179	168	165
Animal control	12	12	12	13	13
Total Police	675	652	602	568	526
Fire:					
Firefighters-sworn	169	171	168	160	168
Firefighters-auxiliary	20	37	22	28	18
Non-sworn personnel	25	24	24	24	23
Total Fire	214	232	214	212	209
Public Works	142	143	142	140	138
Economic Development	17	14	18	17	17
Water Utility	44	43	45	49	41
Wastewater Utility	145	153	149	138	136
Stormwater Utility	3	-	2	7	6
Total	1,563	1,539	1,458	1,396	1,324

Source: City of Stockton Human Resources Department

City of Stockton
Table 20
Operating Indicators by Function/Program/Department
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
General government:					
Building permits issued	7,538	7,132	2,537	6,576	4,595
Business tax certificates:					
Retail sales and service	4,786	4,782	6,228	5,908	5,821
Rental Properties - Commercial and Residential	4,062	4,399	4,700	4,485	4,466
Wholesale	387	282	424	390	374
Manufacturers and processors	139	188	179	156	163
Professions	1,614	1,872	1,809	1,856	1,878
Miscellaneous contractors, peddlers, delivery vehicles, etc.	6,419	4,430	4,534	4,018	4,054
Improvement district and hotel/motel room tax	40	39	46	42	90
Utility billing/customer service:					
Utility bills issued	1,169,160	1,100,374	1,091,429	636,359	640,836
Utility accounts opened and closed	23,828	23,188	27,214	16,635	19,138
New service locations (water) added	185	109	124	107	120
Delinquency Notices Sent - Active Accounts	82,660	81,725	85,752	80,682	82,050
Water Service Terminated for Non-Payment	4,921	4,796	4,489	6,674	4,972
Utility customer service calls received	54,613	41,717	62,178	56,549	46,179
Utility customers using automated voice response	895,369	845,359	45,026	291,065	195,917
Utility Customers Using Online Pmt/Account Access	32,960	33,068	39,369	35,614	29,209
Miscellaneous accounts receivable bills issued	35,880	47,199	30,748	45,157	31,355
Public safety:					
Police:					
Major reported crimes	15,613	15,940	16,871	16,943	17,821
Total arrests	11,543	11,497	10893	11,278	11,541
Dispatched calls for service	186,795	149,527	129,602	123,737	119,187
Fire:					
Interior structure fire calls	338	377	356	363	403
Non-structural fire calls	3,022	2,296	2,019	1,668	1,430
Hazardous materials calls	259	232	527	226	234
Emergency medical calls	27,105	26,777	22,933	18,686	18,422
Total emergency calls	47,179	45,551	39,613	35,748	37,387
Total number of units dispatched	50,614	54,414	47,284	47,467	45,709
Public works:					
Miles of streets resurfaced	6	5	7	2	4
Fleet job orders completed	9,937	10,082	8,368	8,797	10,065

City of Stockton
Table 20
Operating Indicators by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Library:					
Registered borrowers	197,830	190,049	191,699	151,504	221,844
Circulation of library materials	1,359,790	1,363,048	1,498,176	1,576,156	1,640,185
Reference, research and informational questions answered	143,396	140,784	156,340	167,744	167,857
Annual attendance at libraries	761,815	773,374	877,766	922,957	952,894
Number of programs offered	4,171	3,506	3,446	2,977	2,898
Annual attendance at programs	92,521	84,658	87,505	78,874	81,356
Parks and Recreation:					
Golf rounds:					
Swenson Park golf course	52,502	44,073	50,683	50,699	57,757
Van Buskirk golf course	13,765	13,753	18,083	21,731	21,919
Trees planted	10	-	6	-	-
Heritage tree removal-permits issued	-	6	11	7	10
After school program registration (number of participants)	14,382	2,087	22,454	23,408	20,620
Day camp participants	5,062	3,106	4,951	7,444	4,363
Instructional classes	6,569	1,414	3,866	3,591	2,327
Softball/baseball diamonds bookings	142	251	368	344	273
Showmobile (Mobile Stage) bookings	14	14	27	32	30
Community center bookings	1,029	175	928	1,133	1,444
Picnic facility bookings	272	166	417	339	328
Adult sports (number of teams):					
Softball	191	185	238	297	347
Basketball	5	4	-	-	-
Volleyball	6	-	-	-	-
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants)	2,920	2,241	2,785	3,620	3,715

City of Stockton
Table 20
Operating Indicators by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Parks and Recreation (cont.):					
Admissions to:					
Pixie Woods	13,000	5,584	12,452	13,950	12,500
Senior Center memberships	744	2,450	874	1,276	911
Civic Auditorium bookings	228	16	99	144	139
Parks and Recreation sponsored events	10	3	13	17	14
Weber Point Events Center bookings	20	9	18	25	35
Economic Development: (1)					
Rental Housing Units	-	176	-	49	71
Owner Housing (Emergency Repair or Rehabilitation)	2	6	5	5	17
Down Payment Assistance	-	-	4	-	18
Special Needs (Homes Repaired or Rehabilitated)	5	9	6	5	2
Public Facilities (Rehabilitated or Constructed)	2	1	1	-	1
Façade Program (Commercial Façade Repair/Rehabilitated)	5	2	4	-	6
Public Services Provided	129,584	120,765	52,424	118,316	205,884
Homeless Services Provided	4,464	4,578	3,597	532,043	3,555
Meals Provided to Homeless	23,541	-	-	-	539,626
Jobs Created and/or Retained	5	-	5	2	14
Business Assisted (Entrepreneur Program)	475	401	-	-	-
Water utility:					
New connections (DUE's) (2)	422	106	124	29	92
Water main breaks	15	21	13	14	16
Wastewater utility:					
Average daily influent (million gallons per day)	30 mgd	29mgd	24 mgd	30 mgd	32 mgd

(1) Housing Dept. was abolished and Economic Development Dept. was established in FY 2010.

(2) Changed reporting to Dwelling Unit Equivalent (DUE) in 2011 to more accurately reflect new connections. Not all single water connections are equal to one dwelling unit equivalent (DUE), or single family residence. For example, a 12" meter is equal to 209 single family residential connections. In 2011, there were 115 new connections which were equal to 654 DUE's.

Source: City of Stockton Departments

City of Stockton
Table 21
Capital Asset Statistics by Function/Program/Department
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
General government:					
Land use-square miles:					
Residential	25	24	25	25	25
Mixed use	4	4	4	4	4
Commercial	4	4	4	5	4
Industrial	13	13	13	13	13
Institutional	4	4	4	4	4
All other uses	3	4	3	3	3
Total square miles	53	53	53	54	53
Public safety:					
Police:					
Facilities:					
Stations and substations	1	1	1	1	1
Animal control facility	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1
Vehicles:					
Marked patrol cars	217	175	211	189	164
Motorcycles and scooters	30	30	28	27	32
Animal control vehicles	8	8	8	8	9
VIPS vehicles	7	7	7	7	7
Other automobiles	208	209	283	173	154
Other mobile units (all others)	22	21	444	444	15
Public area security cameras	338	324	300	300	76
Fire:					
Fire stations	12	12	12	12	12
Training facilities	1	1	1	1	1
Fire hydrants	9,080	9,054	9,032	9,039	8,981
Public works:					
Miles of streets	769	769	769	806	760
Traffic signals	307	307	291	291	312
Street light fixtures	19,137	19,206	21,993	19,224	19,196

City of Stockton
Table 21
Capital Asset Statistics by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Parks and recreation:					
Arena	1	1	1	1	1
Ballpark	1	1	1	1	1
Baseball/softball diamonds	54	54	54	54	54
Bike/jogging paths (miles)	20	20	20	20	20
Boating facilities - launch lanes	12	12	12	10	10
Children's Museum	1	1	1	1	1
Civic Auditorium (2,800 capacity)	1	1	1	1	1
Community centers	5	5	5	5	5
Dog Areas	3	3	3	3	3
Family camps	1	1	1	1	1
Golf course acreage	371	371	371	371	371
Group picnic areas	31	31	31	31	31
Gymnasium	5	5	5	5	5
Ice rink	1	1	1	1	1
Municipal golf courses	3	3	3	3	3
Park acreage	625	625	625	625	625
Parks and squares	67	67	67	67	67
Philomathean Club	1	1	1	1	1
Playgrounds	71	71	71	71	71
Senior center	1	1	1	1	1
Showmobile (Mobile Stage)	1	1	1	1	1
Skateboard park	1	1	-	1	1
Swimming pools	7	7	7	7	7
Teen Center	1	1	1	1	1
Tennis courts	67	67	67	67	67
Theater (Bob Hope)	1	1	1	1	1
Weber Point Events Center	1	1	1	1	1
Consolidated landscape maintenance districts:					
Streetscaping (square feet)	3.6 million	3.6 million	3.6 million	3.6 million	3.6 million
Public open spaces (acreage)	70	70	70	70	70

City of Stockton
Table 21
Capital Asset Statistics by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Library:					
City branches	6	5	5	4	4
Library mobile units	2	2	2	2	2
San Joaquin County branches	8	8	8	8	8
Total items in collection	856,101	873,377	810,473	895,640	893,419
Cargo delivery van	2	2	2	2	2
Cargo van	1	1	1	1	1
Undeveloped land for branch library	2	2	2	2	2
Integrated library system	1	1	1	1	1
Microform readers	7	7	7	7	7
Microform readers/printers	7	7	7	7	7
Self check out machines	28	28	28	28	28
Water utility:					
Water main lines (miles)	668	668	668	668	668
Storage capacity (thousand gallons)	26,200	26,200	26,200	26,200	26,200
Water wells (active)	21	21	19	20	21
Water reservoirs	8	8	8	8	8
Wastewater utility:					
Wastewater main lines (miles)	899	899	899	899	861
Treatment capacity (million gals/day)	55	55	55	55	55
Wastewater pump stations	27	27	27	27	27
Stormwater utility:					
Stormwater main drain lines (miles)	626	626	626	626	488
Stormwater pump stations	74	74	74	72	72
Parking Authority:					
Parking spaces	5,396	5,783	5,549	4,259	3,656
Parking lots & garages	20	23	23	18	21

Source: City of Stockton Departments