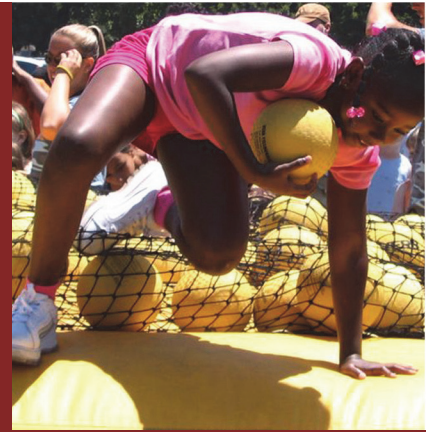




CITY OF STOCKTON

# FY 2014-2015

## COMPREHENSIVE ANNUAL FINANCIAL REPORT







CITY OF STOCKTON

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
CITY OF STOCKTON, CALIFORNIA

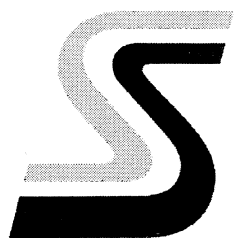
Prepared and Issued by  
Administrative Services Department

SCOTT R. CARNEY  
Interim Chief Financial  
Officer

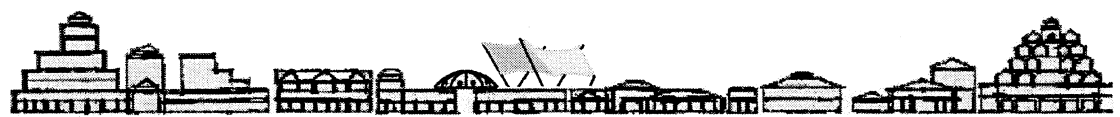








# CITY OF STOCKTON



**INTRODUCTORY SECTION**



**City of Stockton**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2015**

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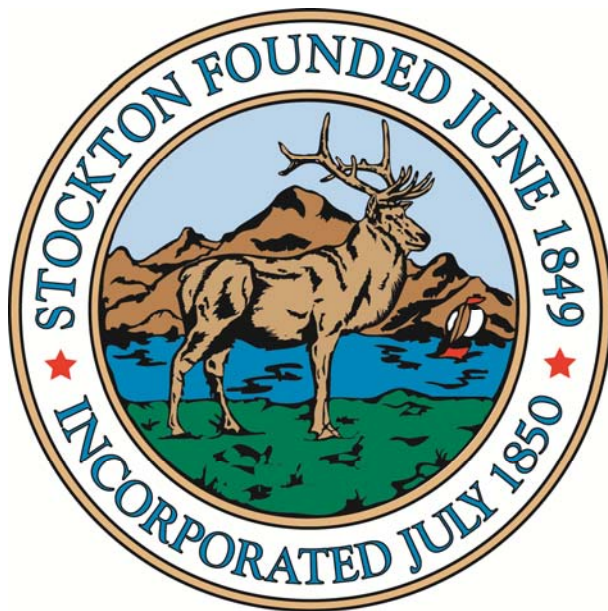
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# CITY OF STOCKTON

CITY HALL • 425 N. El Dorado Street • Stockton, CA 95202 • 209/937-8499  
www.stocktongov.com

December 31, 2015

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. Pursuant to that requirement, we respectfully submit the Comprehensive Annual Financial Report (“CAFR”) of the City of Stockton for the fiscal year (“FY”) ended June 30, 2015.

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. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs have been included.

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.

## ***FINANCIAL CONDITION HIGHLIGHTS***

Financial results for the year compare favorably with budget estimates in most all 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 9.8% under budget. Revenues (including other sources of funds) were 4% above targeted projections. As a result, the target reserve level as of June 30, 2015 was 2% over the City goal of 20%. This allowed the City Council to re-appropriate \$8.5 million of the reserve to fund important priorities in FY 2015-16, with action taken at the December 8, 2015, City Council Meeting.

The Change in Net Position (revenues and sources of funds less expenses and uses of funds) for the City’s Business-Type Activities was approximately \$9.3 million. This is a significant change from the prior year when the Change in Net Position was only \$53,000. The change was mostly due to the extraordinary gain resulting from the write-off of the City’s obligation pursuant to its approved bankruptcy Plan of Adjustment.

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

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

Since filing for protection under Chapter 9 of the federal bankruptcy code on June 28, 2012, the City Council has maintained its strategic focus on the Council’s four primary goals: improving public safety, getting our fiscal house in order, economic development, and organizational capacity. In a strategic planning session held on April 14, 2014, the Council renewed the previous strategic goals and identified three additional target areas: Youth, Infrastructure, and Public Relations/Image. On November 24, 2015, the City Council committed additional funding for all of the target areas.

Below is a discussion of significant factors affecting the City's financial condition.

### *The City's Long-Range Financial Plan*

The City, working with its bankruptcy consultants, developed 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 was prepared in connection with the City's bankruptcy filing and shows, over time, the City's return to fiscal health and provides for an increase in its organizational capacity to, once again, be cash, service and budget solvent. The L-RFP was based on the Plan of Adjustment which includes certain assumptions and agreements reached with the City's capital market creditors. Though the variables underlying these assumptions may change with time, the L-RFP is a model of likely fiscal performance in a conservative and realistic manner. The L-RFP is prudently conservative but, as are all forecasts, subject to risk that underlying assumptions made could change or not materialize.

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*.

### *Measure A, a Voter Approved ¾ Cent Transactions and Use Tax (Sales Tax)*

To maintain fiscal sustainability and aid the City in its exit from bankruptcy, voters approved Measure A on November 5, 2013, which generated almost \$28 million in sales tax revenues in the first full year, FY 2014-15. Measure A is projected to generate another \$28 million in FY 2015-16 and each fiscal year beyond. The non-binding advisory measure, Measure B, recommends the City spend 65% of the new sales tax proceeds to pay for law enforcement and crime prevention services, such as those described in the City's Marshall Plan on Crime, and 35% be used to pay for the City's efforts to end bankruptcy and to provide services to residents, businesses and property owners. This recommended split in the use of Measure A proceeds is expected to occur over time as outlined in the Marshall Plan estimates. The sales tax increase went into effect on April 1, 2014. This much needed tax revenue contributes toward rebuilding the City's long-term viability and quality of life as a safe place to live, work and play.

### *Marshall Plan on Crime*

One of the strategic work plans adopted by the Stockton City Council to reduce violent crime and increase public safety is the Marshall Plan on Crime. Since the initiative began, overall crime in Stockton has dropped significantly.

Based on preliminary year-end Uniform Crime Report (UCR) numbers, though the City had the same number of homicides in 2015 as there were in 2014 (49), violent crimes still decreased 3.5%. Additionally, the overall crime rate in the City decreased 5.7%. These preliminary numbers reflect that the City experienced its lowest overall crime rate in the past 15 years.

Decline in crime is partly a result of the efforts of the Stockton Police Department and the Office of Violence Prevention, a key component of the Marshall Plan on Crime. With the Phase I implementation of Measure A approved by City Council in February 2014, the Office of Violence Prevention was created to institutionalize and expand Marshall Plan efforts.

Significant effort in recruiting police officers continued during FY 2014-15. During the year an unprecedented 78 police officers were hired and 38 left either due to retirement, failure of the probationary training program, or for employment with other agencies. The fiscal year ended with 387 out of 405 positions filled which was an increase of 40 sworn officers from the prior year.

### *Plan of Adjustment and Financial Recovery*

On October 10, 2013, the City filed a Plan of Adjustment ("Plan") with the U.S. Bankruptcy Court to restructure its obligations, as well as its disclosure statement. An amended and modified Plan was filed August 8, 2014. The hearing to consider confirmation of the City's proposed Plan began on May 12, 2014, included five days of trial, and was completed on October 30, 2014. At the October 30, hearing, the bankruptcy Judge announced his decision to confirm the Plan.

With approval of the Plan, the City began actions necessary to implement the Plan and restructure the City's finances in order to exit bankruptcy. During the third quarter of FY 2014-15, a number of transactions were recorded, primarily in the General Fund, to implement the approved bankruptcy Plan and negotiated agreements. These Plan transactions are recorded in this CAFR and have been reported to the City Council.

On November 12, 2014, Franklin High Yield Tax-Free Income Fund and Franklin California High Yield Municipal Fund ("Franklin"), filed an appeal and sought a stay of the court's forthcoming order confirming the Plan. On December 10, 2014, the court considered two motions by Franklin: 1) a request to stay the Confirmation Order until Franklin's appeal was decided, and 2) a challenge to the methods used for the calculation for the unsecured portion of its claim, which would have impacted the calculation of retirees' health benefits claims. The judge determined that it was premature to rule on the first motion and agreed with the City's calculation of the unsecured portion of Franklin's claim. On January 20, 2015, the judge rejected Franklin's motion to stay Stockton's bankruptcy exit plan, pending Franklin's appeal. The judge signed the Confirmation Order February 4, 2015, allowing the City to move forward with implementing its Plan of Adjustment and issued a written Opinion on Confirmation and CalPERS, which supplemented his oral rulings made in court on October 1 and October 30, 2014. The judge's written Opinion was amended by the judge on February 27, 2015, to more precisely state Franklin's recovery. The City's Plan of Adjustment became effective, February 25, 2015.

The City began implementing its Plan of Adjustment with an appeal pending by Franklin. The appeal was heard by the Bankruptcy Appellate Panel (BAP), November 19, 2015. On December 11, 2015, the BAP issued a decision dismissing Franklin's appeal of the Confirmation Order issued by Judge Christopher Klein.

The pre-bankruptcy and bankruptcy processes have consumed nearly four years. During the first half of 2012, the City engaged in state-mandated, pre-bankruptcy confidential mediation (AB 506), in an attempt to avoid bankruptcy. Once the City filed for Chapter 9 bankruptcy protection, June 28, 2012, the first nine months involved litigation over eligibility, and more than a year was spent in mediation and development and defense of the Plan. On February 25, 2015, the City exited bankruptcy and reduced over \$1.7 billion in outstanding claims.

Please refer to the City's website for detailed information about the bankruptcy court filings and the City's budget, including a copy of the October 10, 2013, Plan of Adjustment; August 8, 2014, First Amended Plan of Adjustment; and January 7, 2015, Second Supplemental Plan Supplement to the First Amended Plan of Adjustment.

- Chapter 9 bankruptcy – [www.stocktonca.gov/bankruptcy](http://www.stocktonca.gov/bankruptcy)
- Budget - [www.stocktonca.gov/budget](http://www.stocktonca.gov/budget)

For additional information, see note 18 to the Financial Statements.

### *Remarketing of City Debt*

During FY 2014-15, the City, through the Stockton Public Financing Authority ("SPFA"), issued a Wastewater refunding bond in the amount of \$69.4 million to refund Certificates of Participation issued in 1998 and 2003. The net present value savings achieved in this refunding was \$11.1 million. The SPFA also refunded a 1915 Act bond issue to achieve interest rate savings to residents in the Mosher Assessment District. Overall net present value savings on this refunding was \$2.9 million. The City also refinanced two loans with the U.S Department of Housing and Urban Development to reduce the interest costs on the remaining principal payments by over \$795,000 over the final six years of the loans. Together, these refundings achieved close to \$15.0 million in net present value savings to the residents of Stockton.

### *Access to the Financial Markets*

Bond ratings on debt backed by the City's General Fund received varying downgrades during the City's bankruptcy. Two issues, the 2003 Housing COPs and the 2006A Lease Revenue Refunding Bonds were upgraded during the fiscal year to B-; however, some issues originally backed by the City's General Fund have had ratings either removed or remain at a default rating of "D" due to negotiated settlements with insurers that achieve less than full funding. Bond ratings for debt issued by the City's Municipal Utilities District (MUD) saw momentary downgrades during the bankruptcy; however, all MUD bond issuances have recovered with ratings of A or better.

The Financial Market has long anticipated a gradual credit tightening by the Federal Reserve, which has held overnight borrowing costs between banks at near zero since 2008. The City is not anticipating any bond issuances by its General Fund; however, there are plans to begin a \$150 million upgrade to its Wastewater facilities in the next couple of years, and bond financing for portions of the project will be phased. Increases in the overnight rate are not anticipated to drastically effect long term borrowing costs for the Wastewater project, as the rate controlled by the Federal Reserve is an overnight borrowing rate and the project will be financed in the tax exempt bond market over the course of 30 years.

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

The City of Stockton is located in the center of California’s agriculturally robust San Joaquin Valley and is the seat of San Joaquin County. Stockton is located about 80 miles east of the San Francisco Bay Area (“Bay Area”) and 40 miles south of Sacramento, the Capitol of California. It is connected to the Bay Area by the Altamont Commuter Express (ACE) train and several major freeways. Driving time to the Bay Area ranges from 45 minutes to 90 minutes, depending on the destination.

The City encompasses nearly 65 square miles. In January 2015, the City’s estimated population was approximately 306,999, making it the 13<sup>th</sup> largest city in California. Stockton is surrounded by the rich and fertile lands of the California Central Valley and is home to the 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 mirrors the diversity of the average of all California cities. The University of the Pacific, California State University-Stanislaus, Stockton campus and San Joaquin Delta Community College are all located in Stockton. Four school districts serve K-12 students within the City limits.

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

One of the oldest cities in the State of California, Stockton was founded in 1849 and incorporated in 1850. Stockton’s first local Charter under the 1879 State Constitution was approved by the voters in 1888 and ratified by the State Legislature in 1889. The current Charter, under which the City operates, was approved by the voters in November 1922 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, policy-making and legislative authority are entrusted to the City Council. The Mayor and representatives from six districts are chosen by city-wide election for staggered four year terms, with a two term limit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, appointing department heads and overseeing the operation of the City. The City Manager, City Attorney, City Auditor, and City Clerk are appointed by the City Council.

The City Charter has been amended over 100 times since its approval in 1922, with the most recent amendment approved by voters in November 2014. In June 2013, a Charter Review Advisory Committee (“CRAC”) and an Ad-Hoc Committee under the City Council were formed to evaluate certain sections of the Charter recommended for amendment. The Ad-Hoc Committee advises the City Council on proposed amendments to the City Charter submitted by staff and the CRAC. Future elections could see additional proposed amendments to the City’s Charter.

The City provides a full range of municipal services including: public safety (police and fire), community development, economic development and affordable housing, public works and street maintenance, parks, recreational services, libraries, and utilities providing water, and managing wastewater and stormwater. The City serves approximately 55% of water and 100% of wastewater accounts in the City. California Water Service Company (“Cal Water”), an investor-owned company, provides water service to 42% of the accounts, and San Joaquin County provides water service to the remaining 3% of accounts within the City.

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



## ***THE LOCAL ECONOMY***

In January 2014, Stockton officially broke the 300,000 population mark according to California Department of Finance population estimates for 2014. Stockton's population stands at 306,999, a 2.4% increase over last year's population estimate of 299,878. The University of the Pacific ("UOP") forecast projects that the population will continue to increase at a rate of 1.3% from 2016 through 2018. As the 13th largest city in California, Stockton is comparable to cities in other states, such as Pittsburgh, Orlando, Cincinnati, Buffalo, and Salt Lake City.

According to UOP's Eberhardt School of Business, Business Forecasting Center, Northern California is expected to lead California's economic recovery primarily from the market rebound in the Silicon Valley and San Francisco. The Stockton Metropolitan Statistical Area ("MSA"), which includes the City of Stockton and surrounding areas, continues to see gradual growth in its economy. Non-Farm employment in the Stockton MSA is expected to grow by 2.6% in 2016. Job growth will continue thru 2020 ranging from 2.2% in 2017 and leveling off to 1.2% by 2020. This is encouraging given the impacts of drought and the lethargic homebuilding industry in the region. As a result, the unemployment rate is expected to decrease from 8.8% in 2015 to 8% in 2016 and continue to decline thereafter leveling off at 7.3% in 2020. Unemployment rates remain higher than the 2016 State of California average of 5.7% and the San Francisco average of 3.1%.

According to UOP research, while the community impacts, such as wildfires and the depletion of groundwater have been severe, the drought caused insignificant loss to California's economic output in 2015, due to strong market conditions which have more than offset the impact of water shortages on farms. However, should the drought persist into 2016, the impacts will be more significant as water supplies from surface storage reservoirs and ground water continue to be depleted, particularly in the agricultural regions.

### *Economic Development and Job Creation*

The City of Stockton's advantages in location, markets and access made Stockton a magnet for real estate development from 2000 to 2007. These attributes attracted residents who commuted to high-paying jobs in the Bay Area, exposing the local economy and the City to financial risks when the housing and financial markets collapsed. In 2008, the City recorded the highest revenue levels in its history. In the preceding five years, permits for single-family dwellings had swelled to nearly 3,000 per year when the historical 10 year average was 800. This signaled anticipated future population growth of nearly 10,000 people per year. However, during FY 2008-09 through FY 2011-12, residential dwelling permits averaged only 135 per year and in FY 2012-13 and FY 2013-14 were at 100 and 88, respectively. In FY 2014-15, 109 permits were issued.

General building activity as represented by all permits for everything from commercial development to water heaters, increased in FY 2014-15 to 6,346 permits. This is an increase from the 4,409 permits issued in FY 2013-14.

Stockton continues to lag in its recovery as compared to other nearby regions of Northern California, partially due to the large number of houses that remain vacant. The median home prices fell from a peak of \$400,000 in December 2005 to \$118,500 in February 2012, a decline of 70%. By November 2015, the median price of a home in Stockton had still only recovered to approximately \$218,000. The FY 2015-16 tax roll for the City of Stockton shows a net taxable value increase of 5.3% which is less than the County-wide increase of 6%.

While the economy has been slow to recover in Stockton, the City is setting the stage for future growth by addressing financial solvency and crime. In addition, the City has completed a redesign of its permit center operations and is reviewing land use policies and fees to facilitate more strategic development in the community. The redesign of the permit center will improve customer service and streamline permitting for new activity. During FY 2014-15 the City completed an Economic Development Strategic Plan to guide efforts in future years.

The City is in the process of updating its 2035 General Plan, which was last approved by the City Council in December 2007. A contract is expected to be awarded to a consultant in January 2016 to embark on what will probably be a 24 month process to update and amend the General Plan. The Plan consists of eleven elements that address both the State-mandated planning issues plus optional subjects that are of particular concern of the City. The General Plan is expected to address new and existing areas as a series of distinctive neighborhoods and villages to guide growth and revitalize districts and corridors.

General Fund revenues are further on the road to recovery. In FY 2014-15, sales tax revenues grew by 4% and almost \$28 million was received from the new Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use sales tax (sales tax). Total General Fund revenues and sources were \$214 million in FY 2014-15 and are budgeted to be at least \$206.6 million in FY 2015-16.

### ***RESERVE POLICIES***

The City Council has adopted policies establishing minimum target levels of unassigned fund balance to be maintained in the various funds consistent with Best Practices recommended by the Government Finance Officers Association (“GFOA”) of the US and Canada to provide for contingencies and for economic uncertainties. The City’s financial crisis and the subsequent bankruptcy filing prevented the City from achieving the established General Fund reserve levels as of June 30, 2014. The City’s goal of a 20% reserve was reached in FY 2014-15, and the City is now positioned to start building funds for its mission critical needs, such as years of deferred maintenance, a new financial system, replacement of the aging public safety radio infrastructure, resolving deficits in its Internal Service Funds, and other unfunded liabilities.

The 20% reserve goal was achieved earlier than anticipated due to one-time salary savings resulting from numerous vacancies, increased tax revenues, the significant restructuring of the City’s obligations under bankruptcy protection, significant and sweeping cuts made in prior years and the new Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use tax (sales tax).

The City’s restricted Measure W and the Municipal Utilities funds have achieved their target minimum reserve levels.

### ***DEBT POLICIES AND ANNUAL CONTINUING DISCLOSURES***

The City’s debt policies adopted by the City Council are available on the City of Stockton Administrative Services web site as follows:

*Capital Financing and Debt Management Policy*  
<http://www.stocktongov.com/files/2008CIPDebtPolicies.pdf>

*Policies and Procedures for Land-Secured Financing*  
<http://www.stocktongov.com/files/2008LandSecuredDebtPolicies.pdf>

The City’s annual financial disclosures are available on the Municipal Securities Rulemaking Board’s (“MSRB”) and Electronic Municipal Market Access (“EMMA”) 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. In late 2006, with the support of the Budget, Finance and Economic Development Committee, the City Council authorized the Administrative Services Department to contract for investment portfolio management services. Effective July 1, 2007, the City entered into an agreement with Chandler Asset Management for management of the City’s long-term investment portfolio. Both the City’s long-term investment portfolio management and daily liquid cash requirements are overseen by the Administrative Services Department.

The City’s investment policy is posted to the City’s web site:  
[http://www.stocktongov.com/files/2012\\_2014\\_Investment\\_Policy.pdf](http://www.stocktongov.com/files/2012_2014_Investment_Policy.pdf)

### ***CASH AND INVESTMENTS***

The California Government Code, and the City’s investment policy adopted in compliance with that Code, defines how the City’s cash can be invested. 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 rate of return on funds not held by fiscal agents for the fiscal year ending June 30, 2015 was 0.85%. The average rate earned for prior year was 0.96%. As of June 30, 2015, the market value for the City’s investments, excluding restricted cash with fiscal agents, totaled \$388.2 million, which compares to current holdings at September 30, 2015 of \$319.3 million. The City uses professional portfolio management for a portion of its portfolio not needed for operations and

contingencies in the next six months. Cash required for operations is managed in highly liquid short-term investments by the City's Treasury staff.

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 Governmental Accounting Standards Board (“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 (“FASB”). The American Institute of Certified Public Accountants and state and federal regulators require that financial reports follow GAAP in order to receive an unmodified audit opinion. Additional standards that govern disclosures in the CAFR are derived from the GFOA and the California Committee on Municipal Accounting (“CCMA”).

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 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 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, requires that “an independent audit be made of all City accounts each fiscal year by certified public accountants”. The City of Stockton’s financial statements have been audited by Pun & McGeady, LLP, an independent firm of licensed certified public accountants.

The purpose of the independent audit is to obtain reasonable assurance that the 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, 2015. Important information was also included in the opinion commenting on the City’s ability to continue as a going concern. Their report is presented first in the financial section of this report.

### ***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 on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Additional federal grant reporting is required of grant awards received under Office of Management and Budget Circular A-133 and the American Recovery and Reinvestment Act (“ARRA”).

A separate single audit report is prepared in conformity with the provisions of the Federal Single Audit Act as amended and U.S. Office of Management and Budget Circular A-133, “Audits of State and Local Governments.” This report is filed with the federal clearing house on or before March 31 each year.

## ***RISK MANAGEMENT***

During FY 2014-15 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 ("CJPRMA") for General Liability. The self-insured retention ("SIR") is \$1 million. The City is also a member of the California State Association of Counties ("CSAC") insurance pool for excess Workers' Compensation coverage. The SIR is \$500,000. The City also obtains Property Protection as a member of CJPRMA's All Risks Property Protection Program which is primarily underwritten by a casualty underwriter insurance company. Coverage is up to \$10 million per occurrence with a \$25,000 deductible.

## ***INTERNAL CONTROLS AND LIMITATIONS***

The intent of the CAFR is to provide the City Council and the public with an understanding of the City's financial position. Management assumes responsibility for the completeness, accuracy and reliability of the information presented in this report. To provide a reasonable basis for making these representations, 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 is the subject of ongoing review to improve the timeliness and accuracy of the CAFR, management reporting and controls. In the nearly two dozen or more audits completed to date since 2011, a large number of significant and material weaknesses in the internal control structure (many due to use of an antiquated financial system) have been found and reported by management and the auditors. For the past 12 months, the Finance team with the City's Internal Auditor, Moss Adams LLP, has been engaged in an extensive review under its internal audit plan and risk assessment to identify and improve the City's key controls, systems, policies, and procedures. This important body of work will continue over the next 12 months and help the City as it emerges from bankruptcy to support restoring the City's fiscal health and sustainability.

Budgetary control is at the department level for the General Fund and at the fund level for all other funds. Transfers between funds and within 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.

## ***CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING***

The Certificate of Achievement is a prestigious national annual award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR with contents that conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The City has not submitted its CAFR for an award since the City's fiscal crisis emerged. Nonetheless, we believe those reports conformed to the Certificate of Achievement program requirements. The City plans to submit the FY 2015-16 CAFR for an award, consistent with the City's emergence from bankruptcy.

## ***ACKNOWLEDGEMENTS***

The preparation of this report would not have been possible without the dedicated service of employees in the Administrative Services Department and the cooperation of employees from City departments that provided detailed information and other support and assistance in the preparation and production of the CAFR.

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

Respectfully submitted,



KURT O. WILSON  
CITY MANAGER



SCOTT R. CARNEY  
INTERIM CHIEF FINANCIAL OFFICER



# CITY OF STOCKTON CITY COUNCIL



**ANTHONY SILVA**  
MAYOR



**CHRISTINA FUGAZI**  
VICE MAYOR  
District 5



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



**DAN WRIGHT**  
COUNCILMEMBER  
District 2



**SUSAN LOFTHUS**  
COUNCILMEMBER  
District 3



**MOSES ZAPIEN**  
COUNCILMEMBER  
District 4

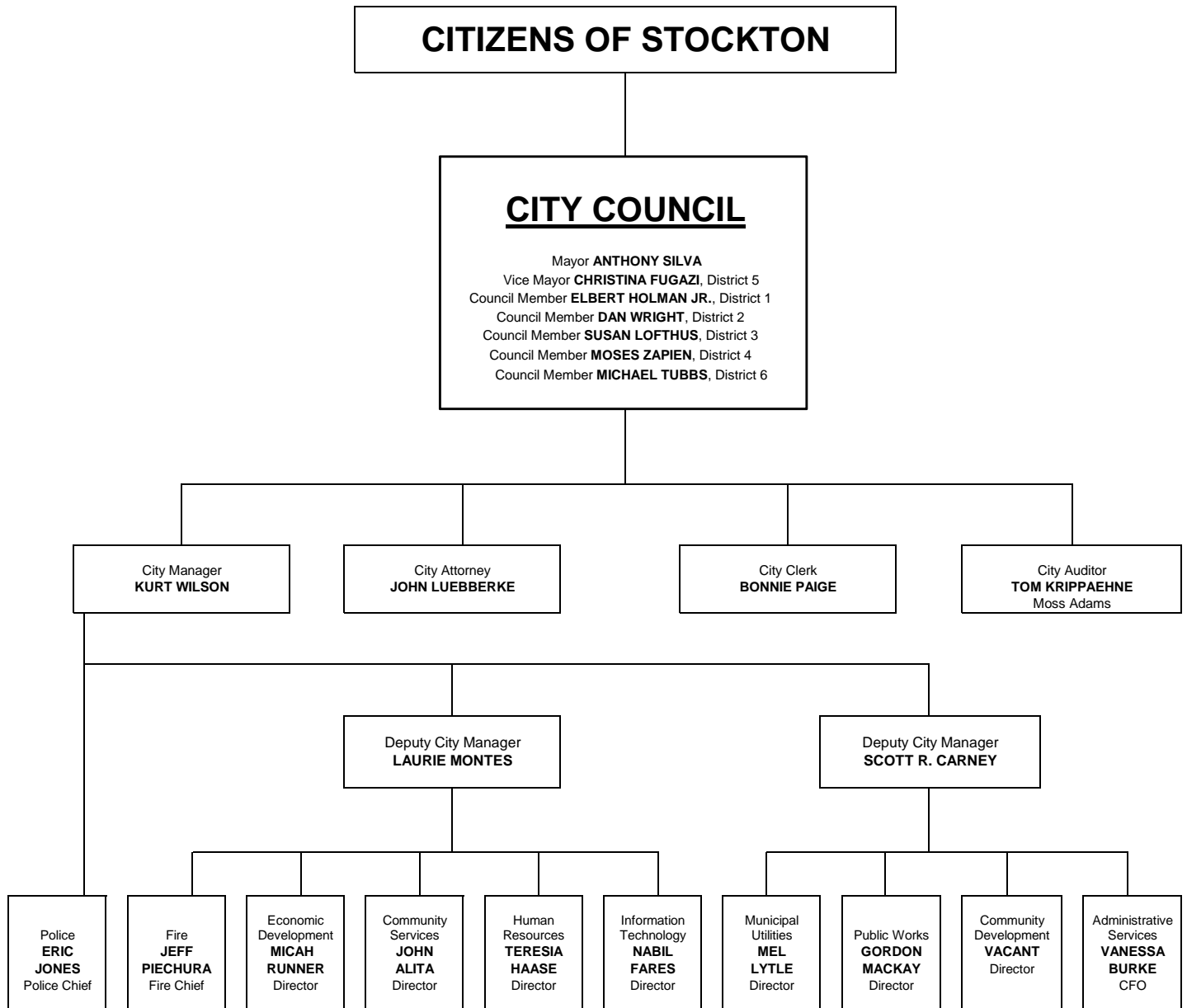


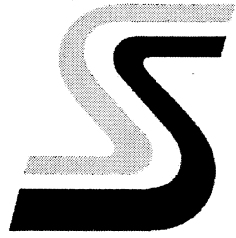
**MICHAEL TUBBS**  
COUNCILMEMBER  
District 6





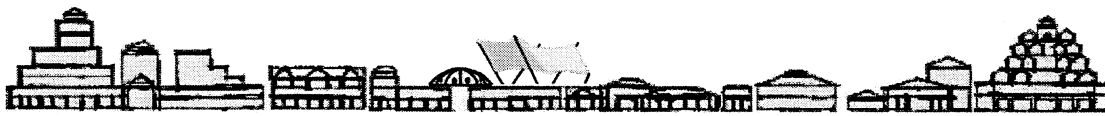
# CITY OF STOCKTON ORGANIZATION CHART AS OF JUNE 30, 2015





# CITY OF STOCKTON

FINANCIAL SECTION



**FINANCIAL SECTION**





1655 North Main Street  
Suite 355  
Walnut Creek, California 94596

**Phone:** (925) 954-3300  
**Fax:** (925) 954-3350  
[www.pm-llp.com](http://www.pm-llp.com)

## INDEPENDENT AUDITORS' REPORT

To Honorable City Council  
of the City of Stockton  
Stockton, California

### **Report on 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 City of Stockton, California (the "City") as of and for the year ended June 30, 2015, 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, 2015, 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.

***Emphasis of Matter***

*Implementation of GASB Statements Nos. 68 and 71*

As discussed in Note 1 and Note 12 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 21 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of \$358,507,674 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System (“CalPERS”) plans and from an actuarial valuation as of June 30, 2015, the measurement date for Public Agency Retirement System (“PARS”) plan. Our opinion is not modified with respect to this matter.

*Extraordinary Gain on Bankruptcy Settlements*

As discussed in Note 18 to the basic financial statements, the bankruptcy court issued the final approval of the Plan of Adjustment. The aggregate gain from the re-measurement of liabilities was \$288,267,518. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions and the Schedules of Funding Progress on pages 7 to 15 and pages 89 to 95 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 and individual nonmajor fund financial statements, schedule of sources and uses – Measures 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 and individual nonmajor fund financial statements and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 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



To Honorable City Council  
of the City of Stockton  
Stockton, California  
Page 3

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 and the 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 31, 2015, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large initial "P" and "M".

Walnut Creek, California  
December 31, 2015





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Suite 355  
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**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 Honorable 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, 2015, 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 31, 2015.

**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 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 were not identified. However, as described in a separate *Report on Internal Control Related Matters Identified in the Audit* dated December 31, 2015, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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. We consider the deficiencies reported in our separately issued *Report on Internal Control Related Matters Identified in the Audit* to be material weaknesses as items 2015-01, 2015-02, and 2014-03.

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 2015-04.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 31, 2015, which is an integral part of our audits and should be read in conjunction with this report.

### **City's Response to Findings**

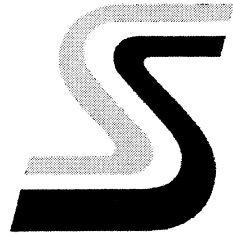
The City's responses to the findings identified in our audit are described in the separately issued *Report on Internal Control Related Matters Identified in the Audit*. We did not audit the City's response and, accordingly, we express no opinion on it.

### **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.

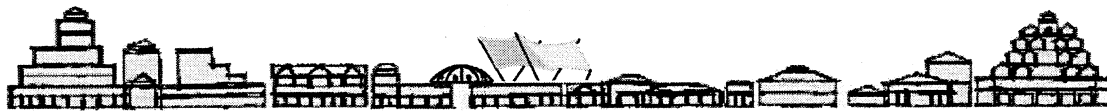
Handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style.

Walnut Creek, California  
December 31, 2015



# CITY OF STOCKTON

MANAGEMENT'S DISCUSSION  
AND ANALYSIS



## MANAGEMENT'S DISCUSSION AND ANALYSIS



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

***JUNE 30, 2015***

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's basic financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### ***SIGNIFICANT FINANCIAL EVENTS***

#### ***Chapter 9 Bankruptcy***

Over the past several years the City of Stockton absorbed painful service reductions and has gone through a long and arduous effort to revitalize its finances, exit from bankruptcy and rebuild the City's General Fund financial reserves. Bankruptcy became necessary when obligations exceeded General Fund resources and were projected to have continued to grow in future years. On May 26, 2010, the City Council declared a state of emergency based on fiscal circumstances. The City's fiscal status continued to deteriorate during the Fiscal Years 2010-11 and 2011-12. The State of Emergency was continued during this period. On February 28, 2012, the Council gave approval for the suspension of payments on three bond issuances, in order to preserve cash and stave off insolvency. As a result of these defaults, certain creditors exercised their default rights and petitioned the courts to take possession of the assets backed by the debt obligations. These possessory interests in the assets were granted and the creditors took possession of three downtown parking structures, and 400 East Main Street, the City owned Administration Building.

After an exhaustive self-examination, verification of City's financial status by staff and an outside firm brought in to perform a third party assessment, the City Council gave approval for the City to enter into the mediation process specified in California Assembly Bill 506, California Government Code 53760. As a part of the AB 506 process, under the auspices of a Mediator, the City held discussions with creditors with the goal of obtaining concessions relating to the City's obligation. While progress was made with some creditors, the progress was insufficient to avoid insolvency. As a result, on June 28, 2012, the City filed a petition for bankruptcy protection under Chapter 9 of the federal bankruptcy code.

The City Council adopted a fiscal year ("FY") 2012-13 budget on June 26, 2012, as a Pendency Plan, which assumed bankruptcy protection. That budget included substantial cuts and elimination of City General Fund expenditures to maintain essential services within existing resources. This also included the elimination of retiree health benefits and of the principal and interest payments for General Fund supported debt obligations pending the outcome of the bankruptcy case. Several City creditors challenged the City's eligibility for Chapter 9 shortly after the City filed its bankruptcy case. After a nearly nine month discovery process, mediation and a three day trial, on April 1, 2014 the United States Bankruptcy Court Judge Christopher Klein ruled the City had negotiated in good faith, was insolvent and eligible for Chapter 9 bankruptcy protection. Prior to the ruling, the City had reached agreement with all of its labor unions, with one bond insurer and with its retirees. Under the auspices of a court-appointed mediator, the City continued to discuss settlement with the remaining creditors following the eligibility trial. Tentative agreements were reached with the majority of the City's major creditors, and the settlements were incorporated into the City's proposed Plan of Adjustment which was filed in the Bankruptcy Court on October 10, 2013. That Plan of Adjustment was mailed to creditors in December, 2013, and all classes of creditors voted to accept the Plan. One capital market creditor, Franklin, filed an objection to the Plan of Adjustment, triggering another round of hearings, discovery and litigation. Judge Klein held hearings in May, 2014, June 2014, July 2014 and October, 2014.

Finally, on October 30, 2014, Judge Klein announced his decision to approve the Plan of Adjustment (as modified on August 8, 2014). On December 10, 2014, the bankruptcy court considered Franklin's motion to prohibit the City from consummating the Plan until its appeal was decided. The court also considered Franklin's motion to amend its ruling on the amount of its unsecured claim. In February 2015, Judge Klein issued a final approval of the Plan of Adjustment and rejected Franklin's motion to stay the Plan. Oral arguments on the Franklin appeal were heard November 19, 2015, and the Bankruptcy Appellate Panel (BAP) dismissed Franklin's appeal, December 11, 2015.

The City was required to implement Government Accounting Standard Board ("GASB") 58, *Accounting and Reporting for Chapter 9 Bankruptcies* in its FY 2014-15 reporting. More detailed information on this issue can be found in Note – 18 Chapter 9 Bankruptcy.

## **FINANCIAL HIGHLIGHTS**

### ***Government-wide Highlights:***

- The government-wide statement of net position for the City's governmental and business-type activities shows that as of June 30, 2015, total assets and deferred outflow of resources exceeded its liabilities and deferred inflow by \$1.1 billion. Of this amount, \$190.5 million represents unrestricted net position, \$187.2 million is restricted for City's ongoing obligation related to programs with external restrictions and \$706.7 million represents the City's net investment in capital assets, less any related outstanding debt used to acquire those assets.
- Government-wide revenues and extraordinary gain increased by \$317.2 million or 82.8% compared to the prior fiscal year, due primarily to the implementation of the Plan of Adjustment under GASB Statement No. 58 that classifies its gains and losses resulting from re-measurement of its liabilities and assets of \$283.5 million; and an increase in Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use tax (sales tax) of \$21.7 million.
- Government-wide expenses decreased by \$20.8 million or 5.6% compared from the prior fiscal year. Governmental activity expenses decreased by \$25.1 million, primarily related to the public works program and interest and fiscal charges due to the implementation of the Plan of Adjustment under GASB Statement No. 58; and an increase in business-type activity expenses of \$4.3 million.

### ***Fund Highlights:***

The City's governmental funds reported a combined ending fund balance of \$176.5 million at the close of June 30, 2015, an increase of \$64.4 million from the prior fiscal year. As of June 30, 2015 the General Fund reserve level was approximately 22%, which is 2% higher than the City's goal of a 20% General Reserve. The City Council re-appropriated \$8.5 million of the reserve to fund important priorities in FY 2015-16. As a result, at the beginning of FY 2015-16 the reserve level was 17%. It is expected that the ending reserve level will be close to 20% at the close of FY 2015-16.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is 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, deferred outflow of resource, liabilities and deferred inflow of resources, the difference is reported as net position. The City implemented GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB 68* in FY 2014-15.

The requirement of GASB Statement No. 68 and 71 is to recognize a net pension liability measured as of a measurement date no earlier than the end of the entity's (in this case the City's) prior fiscal year, and, if a contribution to a defined benefit plan in this case Public Employers Retirement Plan ("PERS") is made between the measurement date of the reported net pension liability and the end of the reporting period, the Statement requires that it be recognized as a deferred outflow of resources.

GASB Statement No. 71 was issued to improve accounting and financial reporting by addressing an issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers (in this case the City) . Paragraph 137 of Statement 68 requires that at transition employers, (in this case the City) recognize a beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability, such deferred outflows of resources and/or deferred inflows of resources are only required to be reported if it practical to determine these amounts. The implementation of GASB Statement No. 68 and GASB Statement No. 71 has made a significant impact in the City's financial net position and is fully disclosed in the Notes to Financial Statement on page 131.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported 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 pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave.

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

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 pertaining to 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 23-26 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 focus on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental

activities in the government-wide financial statements. By doing so, readers 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 in 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. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the later sections of this report.

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

The basic governmental funds financial statements can be found on pages 27-35 of this report.

*Proprietary funds* are generally 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 non-major 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 benefit insurance, fleet of vehicles, information technology systems, and radio and other equipment. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund information for the internal service funds is provided in the form of combining statements in the later sections in this report.

The basic proprietary fund financial statements can be found on pages 37-48 of this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. This includes resources related to land secured financing, employee payroll withholdings, area of benefit fees, public facilities 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 own 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 funds financial statement can be found on pages 49-52 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 53-131 of this report.

### **Other information**

In addition to the basic financial statements, this report presents certain required supplementary information. This information provides a budgetary comparison schedule for the City's General Fund, 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 133-142 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, 2015, the City's total assets and deferred outflows of resources exceeded its liabilities by \$1.1 billion. This was a decrease of \$174.5 million or 13.9% from the prior fiscal year, and included a decrease in prior period adjustment of net position of \$526.0 million (\$471.3 million in the City's governmental activities and \$54.7 million in the City's business-type activities) due to the implementation of GASB Statement No. 68.

The following is the condensed statement of net position for the fiscal years ended June 30, 2015 and 2014.

*(Amounts in thousands)*

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$ 417,727	\$ 458,769	\$ 153,035	\$ 146,477	\$ 570,762	\$ 605,246
Capital assets	753,916	808,306	749,229	762,324	1,503,145	1,570,630
Total assets	1,171,643	1,267,075	902,264	908,801	2,073,907	2,175,876
<b>Deferred Outflow of Resources:</b>						
Unamortized loss on refunding of debt	516	547	2,549	2,461	3,065	3,008
Deferred Pension Contributions	24,379	-	3,778	-	28,157	-
Total Deferrals-Outflows	24,895	547	6,327	2,461	31,222	3,008
<b>Liabilities:</b>						
Current and other liabilities	44,629	51,162	24,933	16,672	69,562	67,834
Long-term obligations	147,164	344,466	361,001	383,991	508,165	728,457
Net OPEB obligations	313,038	123,658	45,469	-	358,507	123,658
Total liabilities	504,831	519,286	431,403	400,663	936,234	919,949
<b>Deferred Inflow of Resources:</b>						
Deferred Rent	111	-	-	-	111	-
Deferred amounts between proj.actual on plan	72,254	-	12,063	-	84,317	-
Total Deferrals Inflows	72,365	-	12,063	-	84,428	-
<b>Net position:</b>						
Net investment in capital assets	326,823	714,595	379,853	413,783	706,676	1,128,378
Restricted	130,763	96,596	56,521	54,175	187,284	150,771
Unrestricted (deficit)	161,756	(62,855)	28,751	42,641	190,507	(20,214)
Total net position	\$ 619,342	\$ 748,336	\$ 465,125	\$ 510,599	\$ 1,084,467	\$ 1,258,935

Following are the primary components of the City's net position:

- 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 \$706.7 million or 65.3%. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, because, generally, proceeds from sale of capital assets are not used to liquidate these liabilities.
- External restrictions represent \$187.3 million or 17.3% of net position and are subject to various external restrictions on how they may be used.
- The remaining unrestricted net position of \$190.5 million or 17.6% of net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. While these assets are technically unrestricted, most of these assets are designated for a specific use.

Information about changes in net position for FY 2014-15 and FY 2013-14 is summarized below. Reasons for the changes are discussed in the following 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 Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 44,723	\$ 47,072	\$ 112,294	\$ 108,131	\$ 157,017	\$ 155,203
Operating grants and contributions	18,823	18,840	5,133	3,865	23,956	22,705
Capital grants and contributions	34,268	36,052	2,945	1,112	37,213	37,164
General revenues:						
Property taxes	29,573	28,014	-	-	29,573	28,014
In lieu of sales tax	9,816	9,706	-	-	9,816	9,706
Utility user taxes	32,921	32,369	-	-	32,921	32,369
Sales and use taxes (City levied)	37,208	15,536	-	-	37,208	15,536
Franchise taxes	12,380	11,981	-	-	12,380	11,981
Business licenses	10,805	10,392	-	-	10,805	10,392
Hotel/motel room taxes	2,378	2,080	-	-	2,378	2,080
Document transfer taxes	587	564	-	-	587	564
Other taxes	930	728	974	1,167	1,904	1,895
Motor vehicle fees in lieu	19,602	18,069	-	-	19,602	18,069
Sales and use taxes (State levied)	36,904	35,111	-	-	36,904	35,111
Other shared revenue	49	253	-	-	49	253
Investment earnings	1,532	1,128	1,172	1,448	2,704	2,576
Miscellaneous	18,646	3,044	-	430	18,646	3,474
Loss on sale of capital assets	(13,214)	(3,712)	(3,300)	-	(16,514)	(3,712)
Total revenues	297,931	267,227	119,218	116,153	417,149	383,380
<b>Expenses</b>						
General government	35,577	34,594	-	-	35,577	34,594
Public safety	123,403	124,806	-	-	123,403	124,806
Public works	37,685	51,942	-	-	37,685	51,942
Library	9,098	9,807	-	-	9,098	9,807
Parks and recreation	20,801	19,456	-	-	20,801	19,456
Interest and fiscal charges	3,401	14,486	-	-	3,401	14,486
Water utility	-	-	47,474	44,720	47,474	44,720
Wastewater utility	-	-	56,153	55,724	56,153	55,724
Stormwater utility	-	-	7,084	5,758	7,084	5,758
Central parking district	-	-	5,026	5,120	5,026	5,120
Other	-	-	3,375	3,448	3,375	3,448
Total expenses	229,965	255,091	119,112	114,770	349,077	369,861
Increase/(decrease) in net position before transfers	67,966	12,136	106	1,383	68,072	13,519
Transfers	383	1,330	(383)	(1,330)	-	-
Extraordinary gain	273,965	-	9,548	-	283,513	-
Change in net position	342,314	13,466	9,271	53	351,585	13,519
Net position, beginning, original	748,336	736,980	510,599	513,850	1,258,935	1,250,830
Prior period adjustment	(471,308)	(2,110)	(54,745)	(3,304)	(526,053)	(5,414)
Net position, beginning, as restated	277,028	734,870	455,854	510,546	732,882	1,245,416
Net position, end of year	\$ 619,342	\$ 748,336	\$ 465,125	\$ 510,599	\$ 1,084,467	\$ 1,258,935

**Governmental activities:** The change in net position was reduced by \$128.9 million which includes a prior period adjustment of \$471.3 million due to GASB Statement No. 68 implementation. The current year change decreased from \$13.5 million to \$342.3 million compared to prior fiscal year. The following discusses significant variances in key revenues and expenses from the prior fiscal year:

- Total governmental activities revenues increased by \$304.7 million or 114.0% compared to prior fiscal year, mostly attributable to the extraordinary items or gains and losses resulting from the re-measurement of the City's liabilities and assets of \$273.9 million for the implementation of GASB 58; and \$21.7 million from Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use tax (sales tax) revenues.
- Total governmental activities expenses decreased by \$25.1 million or 9.8% primarily due to a decreased in the public works program of \$14.3 million; and interest and fiscal charges of \$11.1 million as a result of implementation of GASB 58 related to bankruptcy.

**Business-type activities:** Change in net position decreased by \$45.4 million which includes a prior period adjustment of \$54.7 million due to GASB 68 implementation. The current year change of \$9.3 million is an improvement from prior year change of \$53,000. The following discusses significant variances in key revenues and expenses from the prior fiscal year:

- The increase in total revenues of \$12.6 million or 10.9% is primarily a 9% increase due to the fifth year of the five year tiered rate increase in wastewater user's fee and implementation of GASB Statement No. 68.
- Overall business-type activity expenses increased by \$4.3 million or 3.8% as compared to the prior fiscal year. Of this amount, an increase of \$2.8 million in water utilities; and \$1.3 million in Stormwater utilities are due to the capital maintenance and infrastructure replacement which has been deferred for several years. The remaining balance of the increase is due to wastewater utilities, Parking Authority and other non-major enterprise funds.

## ***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, 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 11). 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 is useful in assessing the City's financing requirements. In particular, committed, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2015, the City's governmental funds reported a combined increase of \$64.4 million compared to the prior fiscal year. Included in the \$176.5 million total governmental fund balances is, \$1.2 million in non-spendable fund balance which represents inventory and other consumable assets, \$107.7 million is restricted, \$28.9 million is committed \$5.9 million is assigned and the remaining \$33.0 million is unassigned. Last year's deficit balance, which was largely a result of the Howard-Jarvis Settlement, has been eliminated as a result of the approved bankruptcy Plan of Adjustment, which resulted in the write-off of the \$19.2 million.

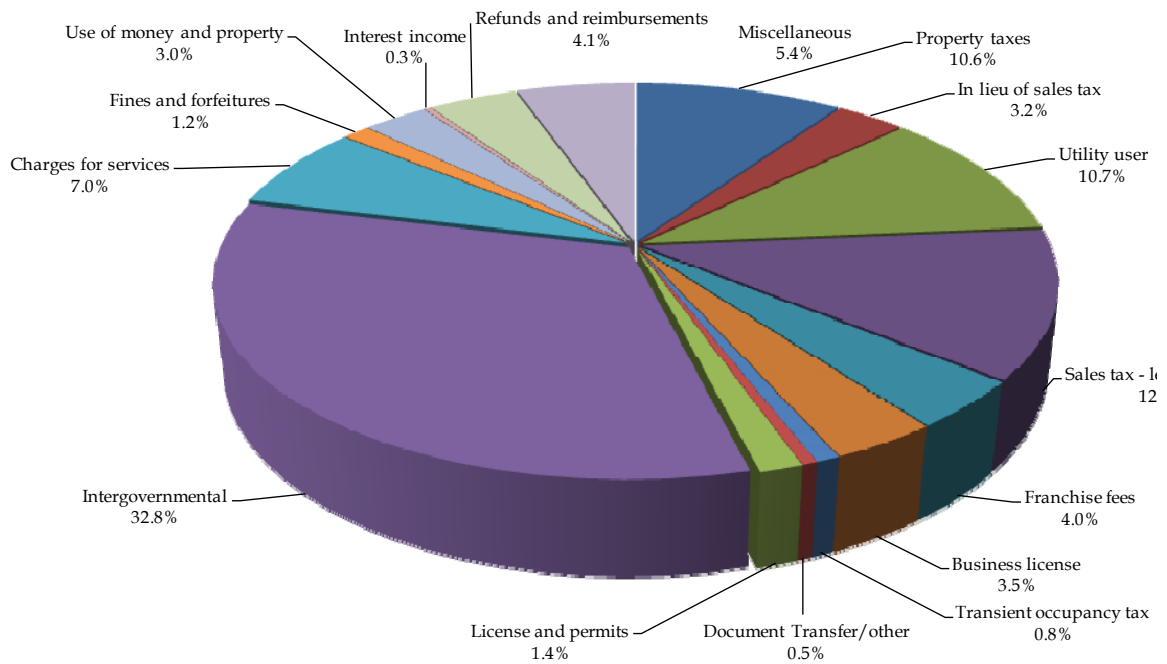
Revenues – The following table presents revenues by source with a comparison to the prior fiscal year:

**Revenue Classified by Source**  
Governmental Funds

**(amounts in thousands)**

Revenue by Source	FY 2014-15		FY 2013-14		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Property taxes	\$ 29,573	9.7%	\$ 28,014	10.6%	\$ 1,559	5.6%
In lieu of sales tax	9,816	3.2%	9,706	3.7%	110	1.1%
Utility user	32,921	10.7%	32,369	12.3%	552	1.7%
Sales tax - levied by City	37,208	12.1%	15,536	5.9%	21,672	139.5%
Franchise fees	12,380	4.0%	11,981	4.5%	399	3.3%
Business license	10,805	3.5%	10,392	3.9%	413	4.0%
Transient occupancy tax	2,378	0.8%	2,080	0.8%	298	14.3%
Document Transfer/other	1,517	0.5%	1,293	0.5%	224	17.3%
License and permits	4,398	1.4%	3,808	1.4%	590	15.5%
Intergovernmental	100,506	32.8%	105,515	40.1%	(5,009)	-4.7%
Charges for services	21,351	7.0%	19,410	7.4%	1,941	10.0%
Fines and forfeitures	3,814	1.2%	2,925	1.1%	889	30.4%
Use of money and property	9,318	3.0%	9,536	3.6%	(218)	-2.3%
Interest income	916	0.3%	650	0.2%	266	40.9%
Refunds and reimbursements	12,710	4.1%	2,401	0.9%	10,309	429.4%
Miscellaneous	16,674	5.4%	7,707	2.9%	8,967	116.3%
<b>Total</b>	<b>\$ 306,285</b>	<b>100.0%</b>	<b>\$ 263,323</b>	<b>100.0%</b>	<b>\$ 42,962</b>	<b>16.3%</b>

**Revenue by Source**  
Governmental Funds  
Fiscal Year 2014-15



The following provides an explanation of significant changes from the prior fiscal year:

- General Fund sales tax increased by \$21.7 million, which is more than three times the amount received in the prior fiscal year. The increase is due primarily to the first full year of the new Measure A, a voter-approved ¾ cent transaction and use tax (sales tax), revenues passed by voters on November 5, 2013, and which took into effect on April 1, 2014. The City may legally use the Measure A, a voter-approved ¾ cent transaction and use tax (sales tax) tax funds for service restoration, to increase law enforcement by hiring additional police officers, increase crime prevention services, such as those described in Stockton’s Marshall Plan on Crime, replenish reserves to prepare for uncertainties, restore funds for technology and equipment replacement, fund our bankruptcy exit plan, and any other legal purpose. While most of this increase is due to receiving a full year of Measure A, a voter-approved ¾ cent transaction and use tax (sales tax), there was a 5% or \$2 million increase in the taxes received from the one-cent sales tax.
- General Fund property taxes increased by \$1.6 million or 5.6% compared to prior fiscal year. Property taxes declined significantly since FY 2007-08 due to declining residential home values and foreclosures in the Central Valley, resulting in a devaluation of the City’s assessed valuation performed by San Joaquin County. From FY 2007-08 to FY 2013-14 the assessed values in the City declined from over \$19.3 billion prior to the recession to as low as \$15.6 billion in FY 2011-12, a drop of 19.3%. In FY 2014-15, there was a 5.3% increase in assessed valuation which is attributed to the strengthening of the housing market and recapture of the reduction in the property assessment.
- Intergovernmental revenues (not including sales taxes levied by the State) decreased by \$5.0 million or 4.7% compared to prior fiscal year mainly due to the decreased in multi-year grant revenues to fund the Capital Improvement Projects.

Expenditures - The following table presents expenditures by function compared to prior year amounts:

**Expenditures By Function**  
Governmental Funds

**(amounts in thousands)**

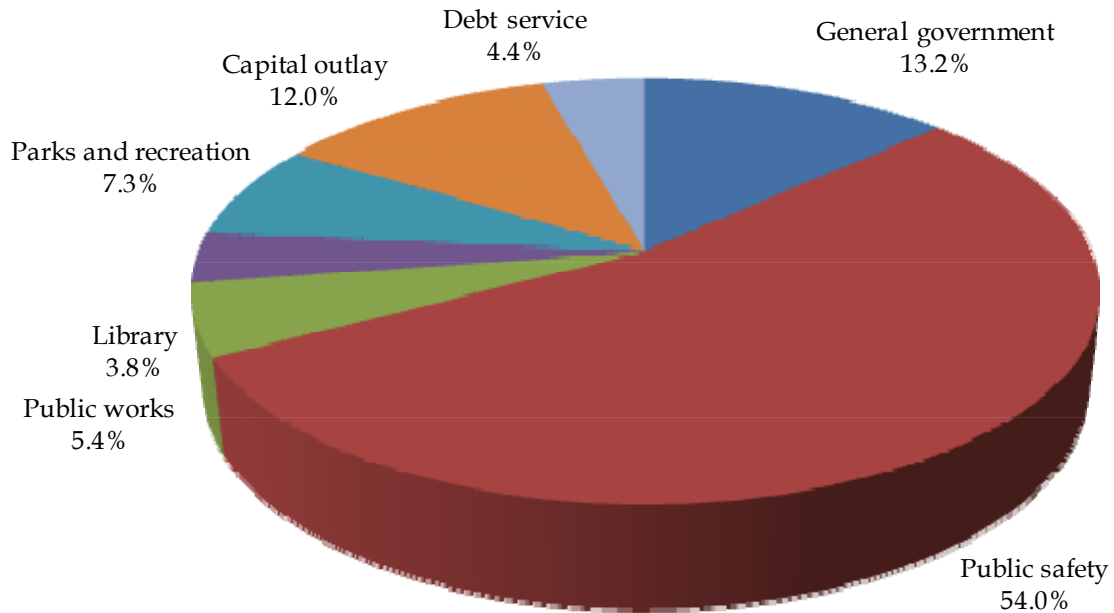
Expenditures by Function	FY 2014-15		FY 2013-14		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	\$ 34,652	13.2%	\$ 25,510	10.1%	\$ 9,142	35.8%
Public safety	141,543	54.0%	129,030	50.9%	12,513	9.7%
Public works	14,152	5.4%	14,458	5.7%	(306)	-2.1%
Library	9,880	3.8%	9,793	3.9%	87	0.9%
Parks and recreation	19,094	7.3%	17,202	6.8%	1,892	11.0%
Capital outlay	31,345	12.0%	43,273	17.1%	(11,928)	-27.6%
Debt service	11,446	4.4%	14,250	5.6%	(2,804)	-19.7%
Total	\$ 262,112	100.0%	\$ 253,516	100.0%	\$ 8,596	3.4%



## Expenditures by Function

Governmental Funds

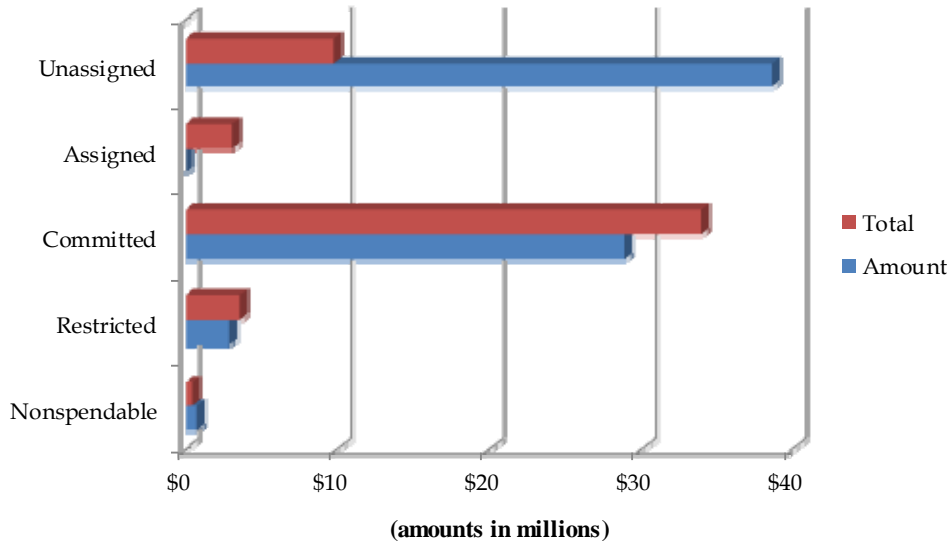
Fiscal Year 2014-15



The following provides an explanation of the expenditures by function that changed significantly over the prior fiscal year.

- Capital outlay expenditures decreased significantly from prior fiscal year by \$11.9 million or 27.6%, primarily due to the completion of the multi-year capital improvement projects.
- Public safety expenditures increased by \$12.5 million or 9.7% from prior fiscal year due to the hiring of additional patrol officers and the increased expenditures made as a part of the Marshall Plan funded by Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use tax (sales tax).
- General government expenditures increased by \$9.1 million or 35.8% from the prior fiscal year as a result of increased bankruptcy costs, and filling vacant positions in administration. \$2.9 million of this increase was due to a transfer from the Successor Agency to the Low and Moderate Income City Loan Fund in order to pay future debt service obligations, which were previously committed.

**General Fund  
Fund Balance  
(in millions)**



The General Fund revenues were \$212.7 million in the FY 2014-15, an increase of \$30.7 million from the prior fiscal year. The most significant component of this increase was the full year of collection of the voter approved new  $\frac{3}{4}$  cents sales tax measure, which raised revenues by \$21.2 million. Other revenues experiencing significant increases in the General Fund included Property Taxes, the non-Measure A portion of Sales Taxes, Franchise Fees and Business License Taxes.

The operating General Fund expenditures were \$179.6 million, an increase of \$20.4 million from the prior fiscal year. The major reasons for the increase were the additional Police and Fire Department expenditures for salary and benefits due to the full implementation of the Marshall Plan which were funded by the Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use tax (sales tax) proceeds; and an increase in the expenditures in general government due to bankruptcy settlement costs.

*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 the fiscal year, the unrestricted net position of proprietary funds is as follows: \$10.6 million for the wastewater utility, \$1.8 million for the stormwater utility, \$0.7 million for the Parking Authority, \$15.3 million for the water utility and \$0.4 million for non-major enterprise funds.

The total net position of all Enterprise Funds decreased from \$510.6 million in FY 2013-14 to \$465.5 million in FY 2014-15. The factors accounting for the decrease were as follows:

- The decrease in net position is mainly due to the net pension liability as a result of the implementation of GASB Statement No. 68. The objective of this Statement is to improve accounting and financial reporting by state and local government for pensions.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's FY 2014-15 General Fund Adopted Budget was a Pendency Plan developed under protection of Chapter 9 of the federal bankruptcy code. This budget was balanced by suspending payments to creditors and retirees in the amount of \$24.5 million for the fiscal year. This analysis should be read in conjunction with the General Fund Budgetary Information on page 135.

The General Fund's original budgeted revenue and sources in totaled \$206.8 million. These revenues were amended downward only slightly during the year to reflect minor offsetting changes in the estimates for Sales Tax, Charges for Services and Miscellaneous Revenues. The revised budgeted revenues and transfers in for FY 2014-15 were \$207.0 million.

The General Fund's original budgeted expenditures and uses were \$207.2 million, the amended budget was increased by \$9.6. Included in this amount is \$3.0 million for encumbrances which were not fully expended during the prior fiscal year. The \$9.6 million in budget increases was due a \$6.4 million increase in General Government due to bankruptcy and auditor costs. Capital Outlay accounted for another \$2.3 million and Parks and Recreation was another \$0.5 million, with the remainder due to Library, Public Works and transfers. These increases were offset by a \$1.6 million decrease in the Public Safety budget. After these amendments, the approved budgeted expenditures and transfers out for FY 2014-15 were revised to \$216.8 million.

Actual FY 2014-15 General Fund revenues and transfers in were higher than the final budget by \$7.1 million or approximately 3.4%. The largest element of this variance was higher than budgeted revenues in Property Tax reflecting a faster recovery in property values than anticipated.

Actual expenditures and transfers out were lower than the final approved budget appropriations by \$23.1 million or 11.9%. A savings of \$10.5 million was achieved in the General Government departments, \$7.3 million was saved in Public Safety largely attributable to salary savings due to vacant positions. The remaining \$5 million was due to Public Works, Library, Parks and Recreation and Capital Outlay.

The City's General Fund balance at June 30, 2015 is \$67.6 million on a budgetary basis, which is an increase of \$16.7 million from the prior year. The intentional rebuilding of the fund balance is the result of multiple years of suspended payments to creditors and retirees, reductions to salaries and benefits, various department operating cuts, high levels of staff vacancies, and slow labor negotiations. Much of this fund balance is the result of vacancies, which are one-time savings and are not expected to continue once services are restored and as the City emerges from bankruptcy. This effort to rebuild the City's General Fund balance is consistent with the City's Long-Range Financial Plan ("L-RFP").

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, 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 a decrease of 4.30%. The following are the significant changes in capital assets compared to prior fiscal year:

- City-wide construction in progress decreased by \$9.5 million, or 7.2%, from \$122 million in the prior year to \$131.4 million as of June 30, 2015.

- Buildings and Improvements decreased from \$972 million in FY 2013-14 to \$915 million in FY 2014-15 as a result of completion of several large capital projects: Airport Way Beautification Phase IV, Pacific Avenue Median Improvement, BRT Phase III at Hammer Lane, and Thornton Road widening projects being placed into service.
- Land decreased by \$3.9 million or 4.30% primarily related to the retirement of land valued at \$1.4 million for the office building located at 400 E. Main Street, as of February 25, 2015 for the implementation of GASB Statement No. 54 and approve Plan of Adjustment. The City gave up rights to the office building and retains only title an indication of substance over form and consistent with GASB 51 paragraph 6b. In addition, two parking lots C & I valued at \$2.5 million were sold to San Joaquin County during the fiscal year.

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:

**Changes in Capital Assets, Net of Depreciation**

*(Amounts in thousands)*

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 40,408	\$ 41,786	\$ 13,090	\$ 15,627	\$ 53,498	\$ 57,413
Intangible Assets	4,355	4,355	750	750	5,105	\$5,105
Building and Improvements	205,038	245,206	709,938	726,897	914,976	972,103
Machinery and Equipment	17,978	17,069	3,737	3,137	21,715	20,206
Infrastructure	385,843	384,323	-	-	385,843	384,323
Construction in Progress	100,294	115,567	21,714	15,913	122,008	131,480
Total	\$ 753,916	\$ 808,306	\$ 749,229	\$ 762,324	\$ 1,503,145	\$ 1,570,630

Additional information on the City's capital assets can be found in Note 7 - 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 \$435.5 million. Of this amount, \$77.2 million is related to governmental activities and \$358.3 million are debt obligations of business-type activities.

Governmental activities bonded indebtedness, decreased by \$166.3 million due to scheduled principal payments and amortization of bond premium.

Business-type activities bonded indebtedness, as restated, decreased by \$13.7 million due to scheduled principal payments and amortization of bond premium insurance and discount.

Governmental outstanding net bonded debt of \$77.2 million includes \$10.8 million of lease revenue bonds for the City's Stewart/Eberhardt Building (SEB), \$11.9 million of certificates of participation for various former redevelopment housing projects, and \$54.5 million in settlement liability to the bond insurer (Assured Guaranty) for 2007 bonds adjusted in bankruptcy.

Business-type activities outstanding net bonded debt obligations of \$358.3 million includes \$253.2 million of revenue bonds of the Water Utility, \$79.8 million in certificates of participation for the Wastewater Utility, and \$25.3 million in settlement liability for the Parking Authority on 2004 bond adjusted in bankruptcy.

Successor Agency bonded debt in the amount of \$115 million is reported separately in a Private Purpose Trust Fund. The balance outstanding at June 30, 2015 includes \$40.4 million of settlement liability for the 2004 bond adjusted in bankruptcy and \$74.6 million of revenue bonds for various former redevelopment and housing projects referred to as the Strong Neighborhoods Initiative (SNI).

Additional information on the City's long-term debt can be found in Note 8 - Long-Term Debt of this report.

### ***Economic Factors and Next Year's Budget***

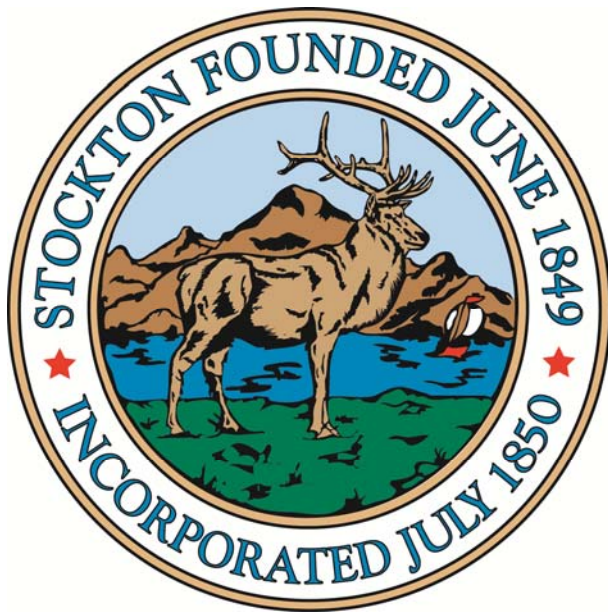
As the local economy continues to slowly recover, the City of Stockton is planning to use improved revenues, primarily from property tax and sales tax, to maintain essential services, fund a 20% reserve and implement modified creditor agreements through its approved bankruptcy Plan of Adjustment. The specific elements of this recovery are outlined in the City's Plan of Adjustment supported by the Long-Range Financial Plan, which is a 30 year roadmap designed to reflect long term impacts of current decisions utilizing constant updates for changing conditions.

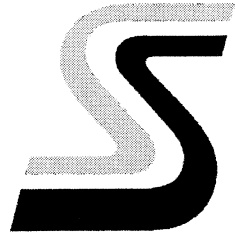
The FY 2014-15 Annual Budget for the General Fund was developed with an emphasis on the City's newly revised priorities, strategic goals and targeted areas; Public Safety, Fiscal Sustainability, Organizational Development, Economic Development, Youth, Infrastructure, and Public Relations/Image. The FY 2015-16 Annual Budget continues to build on these goals. Significant changes in the City's General Fund FY 2015-16 Annual Budget are as follows.

- While Sales Tax revenues from Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use tax (sales tax) are budgeted at \$28.1 million reflecting the first full year tax proceeds from this measure (increase from prior year by \$21.1 million). In addition, other sales tax is increased by \$5.8 million or 14.5% reflecting high statewide growth in auto/transportation, building/construction and restaurants/hotels.
- Property tax revenues are budgeted at \$30.9 million or 10.5% higher than prior year due primarily to increasing property assessed values.
- Expenditure appropriations for Marshall Plan safety officers and support, supplies and equipment have increased by \$8.0 million reflecting the first full year of a multi-year implementation plan, utilizing Measure A, a voter-approved  $\frac{3}{4}$  cent transaction and use tax (sales tax) proceeds, designed to reduce crime and improve safety services to the citizens of Stockton.

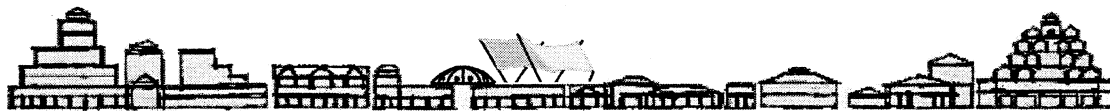
### ***Requests for Information***

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.





# CITY OF STOCKTON

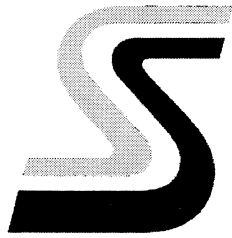


## BASIC FINANCIAL STATEMENTS

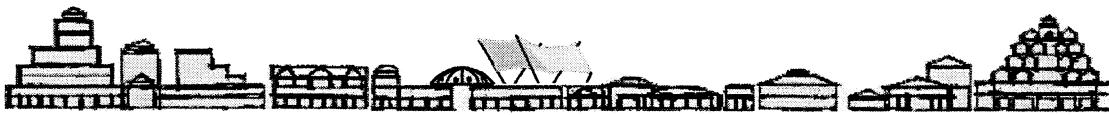
BASIC FINANCIAL  
STATEMENTS







CITY OF STOCKTON



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**City of Stockton**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 231,876,105	\$ 79,390,528	\$ 311,266,633
Restricted cash and investments	2,155,813	56,520,959	58,676,772
Interest receivable	788,334	71,320	859,654
Accounts receivable, net	18,343,407	13,629,467	31,972,874
Due from other governments, net	29,159,998	984,885	30,144,883
Inventory of supplies	389,925	1,684,555	2,074,480
Other assets	2,513,579	753,349	3,266,928
Prepaid items	195,968	-	195,968
Loans to Successor Agency, net	2,495,331	-	2,495,331
Loans to property owners, net	129,808,463	-	129,808,463
Capital assets:			
Nondepreciable	145,056,987	35,554,655	180,611,642
Depreciable, net	608,858,878	713,674,758	1,322,533,636
<b>Total assets</b>	<b>1,171,642,788</b>	<b>902,264,476</b>	<b>2,073,907,264</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding of debt	515,580	2,548,887	3,064,467
Contributions made after the measurement date	24,379,332	3,777,642	28,156,974
<b>Total deferred outflows of resources</b>	<b>24,894,912</b>	<b>6,326,529</b>	<b>31,221,441</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	10,439,915	7,265,862	17,705,777
Accrued payroll and benefits	2,423,122	1,073,338	3,496,460
Accrued interest	829,366	5,843,543	6,672,909
Deposits and other liabilities	3,028,136	1,529,842	4,557,978
Unearned revenue	3,621,785	-	3,621,785
Long-term liabilities:			
Due within one year:			
Compensated absences	5,924,335	644,489	6,568,824
Claims payable	14,804,968	-	14,804,968
Long-term debt	3,557,654	8,576,351	12,134,005
Due in more than one year:			
Compensated absences	4,607,989	200,755	4,808,744
Claims payable	50,021,886	-	50,021,886
Long-term debt	92,533,807	360,800,131	453,333,938
Aggregate Net pension liability	313,038,454	45,469,220	358,507,674
<b>Total liabilities</b>	<b>504,831,417</b>	<b>431,403,531</b>	<b>936,234,948</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Loans to property owners	-	-	-
Unavailable revenue - Others	-	-	-
Deferred rent	111,121	-	111,121
Deferred amounts between projected and actual earnings on plan investments	72,253,653	12,062,847	84,316,500
<b>Total deferred inflows of resources</b>	<b>72,364,774</b>	<b>12,062,847</b>	<b>84,427,621</b>
<b>NET POSITION</b>			
Net investment in capital assets	326,823,032	379,852,932	706,675,964
Restricted	130,762,854	56,520,959	187,283,813
Unrestricted	161,755,623	28,750,736	190,506,359
<b>Total net position</b>	<b>\$ 619,341,509</b>	<b>\$ 465,124,627</b>	<b>\$ 1,084,466,136</b>



**City of Stockton**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2015**

<b>FUNCTIONS/PROGRAMS</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental activities:</b>				
General government	\$ 35,575,880	\$ 15,168,983	\$ 1,650,641	\$ -
Public safety	123,403,477	16,863,132	4,591,052	-
Public works	37,684,503	6,105,239	6,571,778	34,268,043
Library	9,097,925	440,805	6,009,522	-
Parks and recreation	20,801,289	6,145,290	-	-
Interest and fiscal charges	3,401,295	-	-	-
<b>Total governmental activities</b>	<u>229,964,369</u>	<u>44,723,449</u>	<u>18,822,993</u>	<u>34,268,043</u>
<b>Business-type activities:</b>				
Water utility	47,474,106	35,059,244	3,924,373	1,324,772
Wastewater utility	56,152,650	65,726,225	1,208,619	1,345,827
Stormwater utility	7,083,583	5,569,493	-	274,510
Central parking district	5,026,210	4,169,726	-	-
Other	3,374,573	1,768,911	-	-
<b>Total business-type activities</b>	<u>119,111,122</u>	<u>112,293,599</u>	<u>5,132,992</u>	<u>2,945,109</u>
<b>Total</b>	<u>\$ 349,075,491</u>	<u>\$ 157,017,048</u>	<u>\$ 23,955,985</u>	<u>\$ 37,213,152</u>

**City of Stockton**  
**Statement of Activities and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2015**

<b>FUNCTIONS/PROGRAMS</b>	Net (Expense) Revenue and Change in Net Position		
	Governmental Activities	Business-Type Activities	Totals
<b>PRIMARY GOVERNMENT:</b>			
<b>Governmental activities:</b>			
General government	\$ (18,756,256)	\$ -	\$ (18,756,256)
Public safety	(101,949,293)	-	(101,949,293)
Public works	9,260,557	-	9,260,557
Library	(2,647,598)	-	(2,647,598)
Parks and recreation	(14,655,999)	-	(14,655,999)
Interest and fiscal charges	(3,401,295)	-	(3,401,295)
<b>Total governmental activities</b>	(132,149,884)	-	(132,149,884)
<b>Business-type activities:</b>			
Water utility	-	(7,165,717)	(7,165,717)
Wastewater utility	-	12,128,021	12,128,021
Stormwater utility	-	(1,239,580)	(1,239,580)
Central parking district	-	(856,484)	(856,484)
Other	-	(1,605,662)	(1,605,662)
<b>Total business-type activities</b>	-	1,260,578	1,260,578
<b>Total</b>	(132,149,884)	1,260,578	(130,889,306)
<b>General revenues and transfers:</b>			
<b>General revenues:</b>			
Taxes:			
Property	29,572,984	-	29,572,984
In lieu of sales tax	9,815,968	-	9,815,968
Utility user	32,920,823	-	32,920,823
Sales - levied by City	37,207,872	-	37,207,872
Franchise fees	12,379,843	-	12,379,843
Business license	10,804,611	-	10,804,611
Hotel/motel room	2,377,875	-	2,377,875
Document transfer	587,166	-	587,166
Other	930,090	973,634	1,903,724
Shared revenue:			
Vehicle license fees	19,602,407	-	19,602,407
Sales and use tax levied by state	36,903,650	-	36,903,650
Other	48,537	-	48,537
Investment earnings	1,532,350	1,171,947	2,704,297
Miscellaneous	18,646,159	-	18,646,159
Loss from disposal of capital assets	(13,213,737)	(3,300,151)	(16,513,888)
<b>Transfers</b>	382,851	(382,851)	-
<b>Total general revenues and transfers</b>	200,499,449	(1,537,421)	198,962,028
<b>Extraordinary items:</b>			
Gain on bankruptcy settlement (Note 18)	273,964,799	9,548,187	283,512,986
<b>Changes in net position</b>	342,314,364	9,271,344	351,585,708
<b>Net Position:</b>			
<b>Beginning of year, as previously reported</b>	748,335,564	510,598,702	1,258,934,266
<b>Prior period adjustments (Note 21)</b>	(471,308,419)	(54,745,419)	(526,053,838)
<b>Beginning of year, as restated</b>	277,027,145	455,853,283	732,880,428
<b>End of year</b>	\$ 619,341,509	\$ 465,124,627	\$ 1,084,466,136

# **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, 2015**

	Major Funds			
	General Fund	Special Revenue		Capital Projects
		Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
<b>ASSETS</b>				
Cash and investments	\$ 56,901,632	\$ 194,538	\$ 2,991,140	\$ 15,432,611
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	788,185	-	-	-
Accounts and other receivables	16,712,306	5,969	-	5,916
Advance deposits	262,357	-	-	500
Due from other governments, net	12,868,730	130,223	-	5,385,188
Inventory of supplies	389,925	-	-	-
Prepaid items	157,649	-	-	-
Loans to Successor Agency	-	-	2,995,331	-
Loans to property owners, net	-	41,684,169	55,912,458	-
<b>Total assets</b>	<b>\$ 88,080,784</b>	<b>\$ 42,014,899</b>	<b>\$ 61,898,929</b>	<b>\$ 20,824,215</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,727,801	\$ 13,230	\$ -	\$ 2,143,601
Accrued payroll and benefits	908,451	5,692	-	91,072
Due to other governments	901,233	-	-	384,755
Due to other agencies	319,834	-	-	-
Deposits and other liabilities	973,347	-	-	-
Unearned revenue	739,710	-	-	156,117
<b>Total liabilities</b>	<b>8,570,376</b>	<b>18,922</b>	<b>-</b>	<b>2,775,545</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - Loans to property owners	-	41,684,169	55,912,458	-
Unavailable revenue - Other	8,106,663	-	-	5,916
Deferred rent	75,562	-	-	-
<b>Total deferred inflows of resources</b>	<b>8,182,225</b>	<b>41,684,169</b>	<b>55,912,458</b>	<b>5,916</b>
<b>Fund Balances:</b>				
Nonspendable	809,931	-	-	-
Restricted	2,949,122	311,808	5,986,471	18,042,754
Committed	28,654,281	-	-	-
Assigned	5,902,260	-	-	-
Unassigned	33,012,589	-	-	-
<b>Total fund balances</b>	<b>71,328,183</b>	<b>311,808</b>	<b>5,986,471</b>	<b>18,042,754</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 88,080,784</b>	<b>\$ 42,014,899</b>	<b>\$ 61,898,929</b>	<b>\$ 20,824,215</b>

**City of Stockton**  
**Balance Sheet**  
**Governmental Funds (Continued)**  
**June 30, 2015**

	Other Governmental	Total Governmental Funds
<b>ASSETS</b>		
Cash and investments	\$ 73,275,763	\$ 148,795,684
Cash and investments with fiscal agents	2,155,809	2,155,809
Receivables, net:		
Interest	149	788,334
Accounts and other receivables	943,601	17,667,792
Advance deposits	-	262,857
Due from other governments, net	10,775,857	29,159,998
Inventory of supplies	-	389,925
Prepaid items	380,206	537,855
Loans to Successor Agency	-	2,995,331
Loans to property owners, net	32,211,836	129,808,463
<b>Total assets</b>	<b>\$ 119,743,221</b>	<b>\$ 332,562,048</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,912,887	\$ 8,797,519
Accrued payroll and benefits	1,024,971	2,030,186
Due to other governments	48,974	1,334,962
Due to other agencies	-	319,834
Deposits and other liabilities	350,889	1,324,236
Unearned revenue	2,725,958	3,621,785
<b>Total liabilities</b>	<b>6,063,679</b>	<b>17,428,522</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue - Loans to property owners	32,211,836	129,808,463
Unavailable revenue - Other	641,891	8,754,470
Deferred rent	-	75,562
<b>Total deferred inflows of resources</b>	<b>32,853,727</b>	<b>138,638,495</b>
<b>Fund Balances:</b>		
Nonspendable	382,105	1,192,036
Restricted	80,443,710	107,733,865
Committed	-	28,654,281
Assigned	-	5,902,260
Unassigned (deficit)	-	33,012,589
<b>Total fund balances</b>	<b>80,825,815</b>	<b>176,495,031</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 119,743,221</b>	<b>\$ 332,562,048</b>

**City of Stockton**  
**Reconciliation of The Balance Sheet of Governmental Funds**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

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<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 176,495,031</u>
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	145,056,987
Depreciable, net (net of \$15,173,798 reported in the Internal Service Funds)	593,685,080
Prepaid insurance related to bond issuance are not available for current period and, therefore, are expensed in the governmental funds when incurred.	195,968
Internal service funds are used by management to charge costs of general liability, workers' compensation, central garage, equipment, health benefit claims to individual funds. The assets and liabilities of internal services fund is included in governmental activities in the Government-Wide Statement of Net Position.	30,728,968
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 \$543,473 reported in Internal Service Funds)	(9,988,852)
Bonds payable and other long-term debt (net of \$1,885,258 reported in Internal Service Funds)	(94,269,460)
Unamortized bond discount	63,260
Deferred amount on refunding	515,580
Accrued interest payable (net of \$38,155 reported in Internal Services Funds)	(791,211)
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	(313,038,454)
Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide statement of net position.	24,379,332
Difference between projected and actual earnings on pension plan investments are reported in the government-wide statement of net position.	(72,253,653)
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	129,808,463
Unavailable revenue - Offsets accounts receivable for code enforcement billing	7,067,638
Unavailable revenue - Others	1,686,832
<b>Net position of governmental activities</b>	<u><u>\$ 619,341,509</u></u>



**City of Stockton**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Funds			
	General Fund	Special Revenue		Capital Projects
		Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
<b>REVENUES:</b>				
Taxes:				
Property	\$ 29,572,984	\$ -	\$ -	\$ -
In lieu of sales tax	9,815,968	-	-	-
Utility user	32,920,823	-	-	-
Sales - levied by City	27,811,587	-	-	-
Franchise fees	12,379,843	-	-	-
Business license	9,662,882	-	-	-
Hotel/motel room	2,377,875	-	-	-
Document transfer	587,166	-	-	-
Other	930,090	-	-	-
Licenses and permits	392,299	-	-	-
Intergovernmental:				
Federal grants and subsidies	419,433	2,575,129	-	10,808,504
Sales and use tax - levied by state	32,799,150	-	-	-
Other governmental	26,139,820	-	-	3,395,988
Charges for services	9,904,917	-	-	-
Fines and forfeitures	3,750,794	-	-	-
Use of money and property	6,967,959	192,325	7,587	6,900
Investment income:				
Interest income	308,659	880	11,216	5,693
Refunds and reimbursements	3,519,941	-	-	9,104,487
Miscellaneous	2,390,675	-	6,606,137	5,237,814
<b>Total revenues</b>	<b>212,652,865</b>	<b>2,768,334</b>	<b>6,624,940</b>	<b>28,559,386</b>
<b>EXPENDITURES:</b>				
Current:				
General government	23,142,106	-	2,916,598	-
Public safety	125,221,577	-	-	-
Public works	2,988,963	-	-	-
Library	9,789,385	-	-	-
Parks and recreation	16,460,362	-	-	-
Capital outlay	1,973,149	2,456,526	-	19,612,169
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>179,575,542</b>	<b>2,456,526</b>	<b>2,916,598</b>	<b>19,612,169</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>33,077,323</b>	<b>311,808</b>	<b>3,708,342</b>	<b>8,947,217</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	521,253	-	-	-
Transfers in	929,045	-	278,347	6,233,637
Transfers out	(14,068,508)	-	(1,131,026)	(6,900)
Bond insurers proceeds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(12,618,210)</b>	<b>-</b>	<b>(852,679)</b>	<b>6,226,737</b>
<b>EXTRAORDINARY ITEMS:</b>				
Gains on bankruptcy settlements	-	-	-	-
<b>CHANGES IN FUND BALANCES</b>	<b>20,459,113</b>	<b>311,808</b>	<b>2,855,663</b>	<b>15,173,954</b>
<b>FUND BALANCES:</b>				
<b>Beginning of year</b>	<b>50,869,070</b>	<b>-</b>	<b>3,130,808</b>	<b>2,868,800</b>
<b>End of year</b>	<b>\$ 71,328,183</b>	<b>\$ 311,808</b>	<b>\$ 5,986,471</b>	<b>\$ 18,042,754</b>

**City of Stockton**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds (Continued)**  
**For the Year Ended June 30, 2015**

	Other Governmental	Total Governmental Funds
<b>REVENUES:</b>		
Taxes:		
Property	\$ -	\$ 29,572,984
In lieu of sales tax	-	9,815,968
Utility user	-	32,920,823
Sales - levied by City	9,396,285	37,207,872
Franchise fees	-	12,379,843
Business license	1,141,729	10,804,611
Hotel/motel room	-	2,377,875
Document transfer	-	587,166
Other	-	930,090
Licenses and permits	4,006,067	4,398,366
Intergovernmental:		
Federal grants and subsidies	7,993,099	21,796,165
Sales and use tax - levied by state	4,104,500	36,903,650
Other governmental	12,270,550	41,806,358
Charges for services	11,446,278	21,351,195
Fines and forfeitures	63,211	3,814,005
Use of money and property	2,143,120	9,317,891
Investment income:		
Interest income	589,366	915,814
Refunds and reimbursements	85,923	12,710,351
Miscellaneous	2,438,984	16,673,610
<b>Total revenues</b>	<u>55,679,112</u>	<u>306,284,637</u>
<b>EXPENDITURES:</b>		
Current:		
General government	8,593,548	34,652,252
Public safety	16,321,043	141,542,620
Public works	11,163,211	14,152,174
Library	90,203	9,879,588
Parks and recreation	2,633,835	19,094,197
Capital outlay	7,303,072	31,344,916
Debt service:		
Principal retirement	8,217,078	8,217,078
Interest and fiscal charges	3,228,626	3,228,626
<b>Total expenditures</b>	<u>57,550,616</u>	<u>262,111,451</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,871,504)</u>	<u>44,173,186</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Sale of capital assets	-	521,253
Transfers in	9,418,924	16,859,953
Transfers out	(5,028,780)	(20,235,214)
Bond insurers proceeds	5,915,000	5,915,000
Payment to refunded bond escrow agent	(6,080,448)	(6,080,448)
<b>Total other financing sources (uses)</b>	<u>4,224,696</u>	<u>(3,019,456)</u>
<b>EXTRAORDINARY ITEMS:</b>		
Gains on bankruptcy settlements	23,263,348	23,263,348
<b>CHANGES IN FUND BALANCES</b>	<u>25,616,540</u>	<u>64,417,078</u>
<b>FUND BALANCES:</b>		
<b>Beginning of year</b>	<u>55,209,275</u>	<u>112,077,953</u>
<b>End of year</b>	<u>\$ 80,825,815</u>	<u>\$ 176,495,031</u>

**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, 2015**

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**Net change in fund balances - Total Governmental Funds:** \$ 64,417,078

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	13,982,003
Donated capital assets	493,429
Capital asset disposals, net	(1,050,492)
Depreciation expense (net of \$3,341,288 reported in Internal Service funds)	(21,571,307)
Loss from disposal of capital assets	(13,868,136)

Long-term debt (including refunding debt), net of bond premiums and discounts, provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal (including bond refundings) and costs of issuance are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets, and the costs of issuance increase deferred charges in the statement of net assets. Long-term debt proceeds, bond premiums, discounts, repayment of principal, costs of issuance and bond refundings are as follows:

Bond insurers proceeds - principal	298,120
Accrued interest on bond insurers proceeds	(760,130)
Reduction of state animal control obligation	465,212
Repayment of principal	8,217,078
Amortization of prepaid insurance related to costs of issuance	(261,066)

Internal service funds are used by management to charge costs of general liability, workers' compensation, central garage, equipment, health benefit claims to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. 26,128,764

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	(131,914)
Amortization of bond discounts and premiums and deferred amount on refunding	(53,069)
Change in accrued interest	3,339,414
Unavailable revenue - Loans to property owners	8,245,767
Unavailable revenue - Others	1,138,919

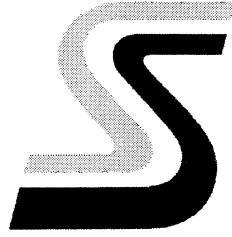
Changes in net pension liability reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental funds 2,583,243

Gains on bankrupt settlement reported as an extraordinary item in the statement of activities does not require the use of current financial resources and therefore are not reported as a gain in government funds. 250,701,451

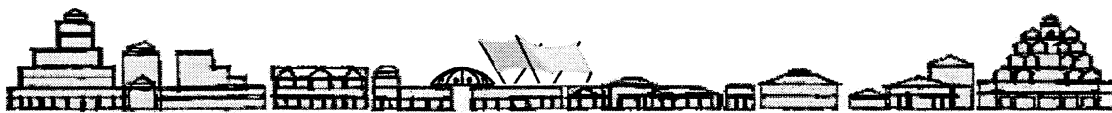
**Change in net position of governmental activities** \$ 342,314,364







CITY OF STOCKTON



**FUND FINANCIAL STATEMENTS**



# **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, 2015**

ASSETS	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
<b>Current assets:</b>				
Cash and investments	\$ 34,147,479	\$ 38,527,999	\$ 5,142,726	\$ 1,063,011
Receivables, net:				
Interest	71,316	4	-	-
Accounts and other receivables	5,037,382	7,607,734	593,688	368,427
Due from other governments, net	101,239	883,646	-	-
Inventory of supplies	-	1,637,739	-	-
Deposits and advances	-	-	-	-
Prepaid insurance	154,876	562,859	4,190	22,654
<b>Total current assets</b>	<b>39,512,292</b>	<b>49,219,981</b>	<b>5,740,604</b>	<b>1,454,092</b>
<b>Noncurrent assets:</b>				
Restricted assets:				
Cash and investments	2,782,516	20,934,093	-	-
Cash and investments with fiscal agents	32,573,355	46,443	-	184,552
Capital assets, net:				
Nondepreciable	17,583,163	11,931,275	388,752	5,291,660
Depreciable, net	319,945,930	297,664,502	47,358,105	23,555,052
<b>Total noncurrent assets</b>	<b>372,884,964</b>	<b>330,576,313</b>	<b>47,746,857</b>	<b>29,031,264</b>
<b>Total assets</b>	<b>412,397,256</b>	<b>379,796,294</b>	<b>53,487,461</b>	<b>30,485,356</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding of debt	131,743	2,417,144	-	-
Deferred contributions made after the measurement date	1,078,558	2,447,279	251,805	-
<b>Total deferred outflows of resources</b>	<b>1,210,301</b>	<b>4,864,423</b>	<b>251,805</b>	<b>-</b>

**City of Stockton**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**June 30, 2015**

ASSETS	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
<b>Current assets:</b>			
Cash and investments	\$ 509,313	\$ 79,390,528	\$ 83,080,421
Receivables, net:			
Interest	-	71,320	-
Accounts and other receivables	22,236	13,629,467	675,615
Due from other governments, net	-	984,885	-
Inventory of supplies	46,816	1,684,555	-
Deposits and advances	-	-	1,159,000
Prepaid insurance	8,770	753,349	553,867
<b>Total current assets</b>	<u>587,135</u>	<u>96,514,104</u>	<u>85,468,903</u>
<b>Noncurrent assets:</b>			
Restricted assets:			
Cash and investments	-	23,716,609	-
Cash and investments with fiscal agents	-	32,804,350	4
Capital assets, net:			
Nondepreciable	359,805	35,554,655	-
Depreciable, net	25,151,169	713,674,758	15,173,798
<b>Total noncurrent assets</b>	<u>25,510,974</u>	<u>805,750,372</u>	<u>15,173,802</u>
<b>Total assets</b>	<u>26,098,109</u>	<u>902,264,476</u>	<u>100,642,705</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding of debt	-	2,548,887	-
Deferred contributions made after the measurement date	-	3,777,642	-
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>6,326,529</u>	<u>-</u>

**City of Stockton**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**June 30, 2015**

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	2,276,663	3,810,726	283,120	184,574
Accrued payroll	305,714	667,387	80,896	17,503
Due to other governments	598,870	-	-	-
Deposits and other liabilities	1,280,547	-	10,000	132,601
Accrued interest	4,305,935	1,100,900	-	436,708
Capital lease obligation	-	-	-	-
Compensated absences - current	206,419	412,183	17,846	8,042
Self-insurance claims and judgments - current	-	-	-	-
Other long-term debt - current	4,508,491	3,959,981	-	107,878
<b>Total current liabilities</b>	<b>13,482,639</b>	<b>9,951,177</b>	<b>391,862</b>	<b>887,306</b>
<b>Noncurrent liabilities:</b>				
Loans from other funds, net	-	-	-	-
Compensated absences - long-term	78,273	117,328	5,154	-
Self-insurance claims and judgments - long-term	-	-	-	-
Capital lease obligations	-	-	-	-
Notes payable	82,678	-	-	-
Bonds payable	248,819,413	75,823,749	-	25,203,470
Net OPEB obligation	-	-	-	-
Net pension liability	12,932,373	29,635,587	2,901,260	-
<b>Total noncurrent liabilities</b>	<b>261,912,737</b>	<b>105,576,664</b>	<b>2,906,414</b>	<b>25,203,470</b>
<b>Total liabilities</b>	<b>275,395,376</b>	<b>115,527,841</b>	<b>3,298,276</b>	<b>26,090,776</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred rent	-	-	-	-
Deferred amounts between projected and actual earnings on pension plan investments	3,460,779	7,754,354	847,714	-
<b>Total deferred inflows of resources</b>	<b>3,460,779</b>	<b>7,754,354</b>	<b>847,714</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	84,118,511	229,812,047	47,746,857	3,535,364
Restricted for capital projects	32,573,355	11,180,536	-	184,552
Restricted for debt service	2,782,516	9,800,000	-	-
Restricted for equipment replacement	-	-	-	-
Unrestricted (deficit)	15,277,020	10,585,939	1,846,419	674,664
<b>Total net position</b>	<b>\$ 134,751,402</b>	<b>\$ 261,378,522</b>	<b>\$ 49,593,276</b>	<b>\$ 4,394,580</b>

**City of Stockton**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**June 30, 2015**

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	110,870	6,665,953	1,642,398
Accrued payroll	1,838	1,073,338	392,936
Due to other governments	1,039	599,909	-
Deposits and other liabilities	106,694	1,529,842	49,104
Accrued interest	-	5,843,543	38,155
Capital lease obligation	-	-	236,972
Compensated absences - current	-	644,490	404,944
Self-insurance claims and judgments - current	-	-	14,804,968
Other long-term debt - current	-	8,576,350	-
<b>Total current liabilities</b>	<b>220,441</b>	<b>24,933,425</b>	<b>17,569,477</b>
<b>Noncurrent liabilities:</b>			
Loans from other funds, net	-	-	500,000
Compensated absences - long-term	-	200,755	138,529
Self-insurance claims and judgments - long-term	-	-	50,021,886
Capital lease obligations	-	-	1,648,286
Notes payable	10,870,821	10,953,499	-
Bonds payable	-	349,846,632	-
Net OPEB obligation	-	-	-
Net pension liability	-	45,469,220	-
<b>Total noncurrent liabilities</b>	<b>10,870,821</b>	<b>406,470,106</b>	<b>52,308,701</b>
<b>Total liabilities</b>	<b>11,091,262</b>	<b>431,403,531</b>	<b>69,878,178</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred rent	-	-	35,559
Deferred amounts between projected and actual earnings on pension plan investments	-	12,062,847	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>12,062,847</b>	<b>35,559</b>
<b>NET POSITION</b>			
Net investment in capital assets	14,640,153	379,852,932	13,288,540
Restricted for capital projects	-	43,938,443	-
Restricted for debt service	-	12,582,516	4
Restricted for equipment replacement	-	-	25,572,004
Unrestricted (deficit)	366,694	28,750,736	(8,131,580)
<b>Total net position</b>	<b>\$ 15,006,847</b>	<b>\$ 465,124,627</b>	<b>\$ 30,728,968</b>



**City of Stockton**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 34,322,998	\$ 65,058,615	\$ 5,484,463	\$ 3,941,402
Miscellaneous	736,246	667,610	85,030	228,324
<b>Total operating revenues</b>	<u>35,059,244</u>	<u>65,726,225</u>	<u>5,569,493</u>	<u>4,169,726</u>
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	9,769,936	31,250,644	1,693,972	2,936,797
General and administrative	4,465,086	8,447,370	3,780,189	28,912
Depreciation and amortization	7,477,717	11,505,308	1,609,422	1,206,323
Purchased water	8,595,356	-	-	-
<b>Total operating expenses</b>	<u>30,308,095</u>	<u>51,203,322</u>	<u>7,083,583</u>	<u>4,172,032</u>
<b>OPERATING INCOME (LOSS)</b>	<u>4,751,149</u>	<u>14,522,903</u>	<u>(1,514,090)</u>	<u>(2,306)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Taxes	-	-	-	973,634
Grants and subsidies	3,924,373	1,208,619	-	-
Investment income:				
Interest income	677,482	434,470	41,785	26,213
Gain (loss) from disposal of capital assets	-	-	-	(3,300,151)
Interest expense and fiscal charges	(17,166,011)	(4,949,328)	-	(854,178)
Other non-operating revenues	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<u>(12,564,156)</u>	<u>(3,306,239)</u>	<u>41,785</u>	<u>(3,154,482)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(7,813,007)</u>	<u>11,216,664</u>	<u>(1,472,305)</u>	<u>(3,156,788)</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	1,079,635	960,517	-	-
Developer contributions	245,137	385,310	274,510	-
Transfers in	-	-	-	813,115
Transfers out	(360,368)	(560,348)	(30,999)	(909,166)
<b>Total capital contributions and transfers</b>	<u>964,404</u>	<u>785,479</u>	<u>243,511</u>	<u>(96,051)</u>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements	-	-	-	7,764,379
<b>CHANGES IN NET POSITION</b>	<u>(6,848,603)</u>	<u>12,002,143</u>	<u>(1,228,794)</u>	<u>4,511,540</u>
<b>NET POSITION:</b>				
<b>Beginning of year, as previously reported</b>	157,191,571	284,982,598	54,369,704	(116,960)
<b>Prior period adjustments (Note 21)</b>	<u>(15,591,566)</u>	<u>(35,606,219)</u>	<u>(3,547,634)</u>	<u>-</u>
<b>Beginning of year, as restated</b>	<u>141,600,005</u>	<u>249,376,379</u>	<u>50,822,070</u>	<u>(116,960)</u>
<b>End of year</b>	<u>\$ 134,751,402</u>	<u>\$ 261,378,522</u>	<u>\$ 49,593,276</u>	<u>\$ 4,394,580</u>

**City of Stockton**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2015**

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,092,951	\$ 109,900,429	\$ 103,754,876
Miscellaneous	675,960	2,393,170	108
<b>Total operating revenues</b>	<b>1,768,911</b>	<b>112,293,599</b>	<b>103,754,984</b>
<b>OPERATING EXPENSES:</b>			
Operation and maintenance	2,408,245	48,059,594	72,695,091
General and administrative	4,515	16,726,072	5,423,277
Depreciation and amortization	611,326	22,410,096	3,341,290
Purchased water	-	8,595,356	-
<b>Total operating expenses</b>	<b>3,024,086</b>	<b>95,791,118</b>	<b>81,459,658</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,255,175)</b>	<b>16,502,481</b>	<b>22,295,326</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Taxes	-	973,634	-
Grants and subsidies	-	5,132,992	-
Investment income:			
Interest income	(8,003)	1,171,947	616,536
Gain (loss) from disposal of capital assets	-	(3,300,151)	133,146
Interest expense and fiscal charges	(350,487)	(23,320,004)	(2,437,818)
Other non-operating revenues	-	-	290,929
<b>Total non-operating revenues (expenses)</b>	<b>(358,490)</b>	<b>(19,341,582)</b>	<b>(1,397,207)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,613,665)</b>	<b>(2,839,101)</b>	<b>20,898,119</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	-	2,040,152	1,472,532
Developer contributions	-	904,957	-
Transfers in	665,000	1,478,115	7,156,717
Transfers out	(85)	(1,860,966)	(3,398,604)
<b>Total capital contributions and transfers</b>	<b>664,915</b>	<b>2,562,258</b>	<b>5,230,645</b>
<b>EXTRAORDINARY ITEMS:</b>			
Gain on bankruptcy settlements	1,783,808	9,548,187	263,111,865
<b>CHANGES IN NET POSITION</b>	<b>835,058</b>	<b>9,271,344</b>	<b>289,240,629</b>
<b>NET POSITION:</b>			
<b>Beginning of year, as previously reported</b>	14,171,789	510,598,702	(150,699,260)
<b>Prior period adjustments (Note 21)</b>	-	(54,745,419)	(107,812,401)
<b>Beginning of year, as restated</b>	14,171,789	455,853,283	(258,511,661)
<b>End of year</b>	<b>\$ 15,006,847</b>	<b>\$ 465,124,627</b>	<b>\$ 30,728,968</b>

**City of Stockton**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 37,869,022	\$ 63,394,607	\$ 5,551,830	\$ 3,889,359
Receipts for interfund services provided	-	-	-	-
Payments to suppliers	(15,357,194)	(26,282,222)	(3,642,114)	(1,515,622)
Payments to employees	(6,720,121)	(14,815,961)	(1,728,295)	(892,474)
<b>Net cash provided by (used in) operating activities</b>	<b>15,791,707</b>	<b>22,296,424</b>	<b>181,421</b>	<b>1,481,263</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	-	-	813,115
Transfers out	(360,368)	(560,348)	(30,999)	(909,166)
Receipt of cash subsidies and federal grants	3,924,373	1,208,619	-	-
Principal paid on pension obligation debt	-	-	-	-
Interest paid on pension obligation debt	-	-	-	-
Due from other funds	-	-	-	-
Due to other funds	-	-	-	(197,327)
Advances to other funds	-	-	-	-
Advances received from other funds	-	-	-	(1,533,572)
Proceeds from taxes	-	-	-	973,634
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>3,564,005</b>	<b>648,271</b>	<b>(30,999)</b>	<b>(853,316)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of capital assets	-	-	-	-
Proceeds from debt	-	-	-	-
Proceeds from bond insurance	-	-	-	1,486,585
Purchases of capital assets	(1,017,737)	(10,981,249)	(46,398)	(98,464)
Capital contributions received	1,324,772	1,345,827	-	-
Unamortized loss on refunding of debt	16,818	(105,109)	-	-
Principal paid on debt	(4,417,731)	(1,163,193)	-	(1,885,014)
Interest paid on debt	(17,208,729)	(5,203,963)	-	(942,975)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(21,302,607)</b>	<b>(16,107,687)</b>	<b>(46,398)</b>	<b>(1,439,868)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	616,211	434,476	41,786	26,215
<b>Net cash provided by (used in) investing activities</b>	<b>616,211</b>	<b>434,476</b>	<b>41,786</b>	<b>26,215</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,330,684)</b>	<b>7,271,484</b>	<b>145,810</b>	<b>(785,706)</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
<b>Beginning of year</b>	<b>70,834,034</b>	<b>52,237,051</b>	<b>4,996,916</b>	<b>2,033,269</b>
<b>End of year</b>	<b>\$ 69,503,350</b>	<b>\$ 59,508,535</b>	<b>\$ 5,142,726</b>	<b>\$ 1,247,563</b>

**City of Stockton**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2015**

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,764,458	\$ 112,469,276	\$ 104,807,873
Receipts for interfund services provided	-	-	290,929
Payments to suppliers	(1,924,264)	(48,721,416)	(74,884,686)
Payments to employees	(572,821)	(24,729,672)	(10,251,427)
<b>Net cash provided by (used in) operating activities</b>	<b>(732,627)</b>	<b>39,018,188</b>	<b>19,962,689</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	665,000	1,478,115	7,156,717
Transfers out	(85)	(1,860,966)	(3,398,604)
Receipt of cash subsidies and federal grants	-	5,132,992	-
Principal paid on pension obligation debt	-	-	-
Interest paid on pension obligation debt	-	-	-
Due from other funds	-	-	2,685,755
Due to other funds	-	(197,327)	-
Advances to other funds	-	-	499,277
Advances received from other funds	-	(1,533,572)	-
Proceeds from taxes	-	973,634	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>664,915</b>	<b>3,992,876</b>	<b>6,943,145</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of capital assets	-	-	142,382
Proceeds from debt	-	-	1,871,404
Proceeds from bond insurance	-	1,486,585	-
Purchases of capital assets	-	(12,143,848)	(3,115,603)
Capital contributions received	-	2,670,599	-
Unamortized loss on refunding of debt	-	(88,291)	-
Principal paid on debt	-	(7,465,938)	(2,411,096)
Interest paid on debt	-	(23,355,667)	(87,063)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>-</b>	<b>(38,896,560)</b>	<b>(3,599,976)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	(8,003)	1,110,685	616,536
<b>Net cash provided by (used in) investing activities</b>	<b>(8,003)</b>	<b>1,110,685</b>	<b>616,536</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	(75,715)	5,225,189	23,922,394
<b>CASH AND CASH EQUIVALENTS:</b>			
<b>Beginning of year</b>	<b>585,028</b>	<b>130,686,298</b>	<b>59,158,031</b>
<b>End of year</b>	<b>\$ 509,313</b>	<b>\$ 135,911,487</b>	<b>\$ 83,080,425</b>

**City of Stockton**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2015**

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:</b>				
Cash and investments	\$ 34,147,479	\$ 38,527,999	\$ 5,142,726	\$ 1,063,011
Restricted assets:				
Cash and investments	2,782,516	20,934,093	-	-
Cash and investments with fiscal agents	32,573,355	46,443	-	184,552
<b>Total cash and investments</b>	<b>\$ 69,503,350</b>	<b>\$ 59,508,535</b>	<b>\$ 5,142,726</b>	<b>\$ 1,247,563</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 4,751,149	\$ 14,522,903	\$ (1,514,090)	\$ (2,306)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	7,477,717	11,505,308	1,609,422	1,206,323
Accounting adjustment for retirement expense	(276,973)	(663,557)	(50,466)	-
Loss of disposal of capital assets	-	-	-	-
Other non-operating revenues	-	-	-	-
Changes in assets and liabilities:				
Accounts and other receivables	986,183	(1,447,972)	(17,663)	(280,367)
Due from other governments	1,835,964	(883,646)	-	-
Prepaid expenses	(15,789)	(316,396)	(3,981)	469,067
Inventory of supplies	-	(72,678)	-	-
Deposits and advances	-	-	-	-
Net pension asset	-	-	-	-
Accounts payable	612,095	(908,013)	74,363	129,615
Accrued payroll	305,714	667,387	80,896	17,503
Due to other governments	42,205	-	-	-
Deposits and other liabilities	(12,369)	-	-	(51,625)
Compensated absences	85,811	(106,912)	2,940	(6,947)
Self-insurance - claims and judgments	-	-	-	-
Net OPEB obligation	-	-	-	-
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 15,791,707</b>	<b>\$ 22,296,424</b>	<b>\$ 181,421</b>	<b>\$ 1,481,263</b>
<b>NONCASH TRANSACTIONS:</b>				
Amortization of issuance discounts	\$ 14,219	\$ 323,077	\$ -	\$ 1,591
Amortization of issuance premiums	(169,222)	(435,989)	-	-
Amortization of (gain)/ loss on refunding	(16,818)	105,109	-	-
Costs of issuance paid from bond proceeds	-	-	-	-
Prepaid cost of issuance expense	(123,264)	(478,571)	-	-
Capital contributions	245,137	385,310	274,510	-
Retirement of capital assets	-	(68,669)	-	-
Transfer of capital assets from (to) other funds	(360,368)	(560,348)	-	(197,327)
Change in accrued interest related to loans from other funds	-	-	-	-
Debt forgiveness	-	-	-	7,764,379
Accounting adjustment for retirement expense	(276,973)	(663,557)	(50,466)	-
Loss of disposal of capital assets	-	-	-	(3,300,151)

**City of Stockton**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2015**

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:</b>			
Cash and investments	\$ 509,313	\$ 79,390,528	\$ 83,080,421
Restricted assets:			
Cash and investments	-	23,716,609	-
Cash and investments with fiscal agents	-	32,804,350	4
<b>Total cash and investments</b>	<b>\$ 509,313</b>	<b>\$ 135,911,487</b>	<b>\$ 83,080,425</b>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:**

Operating income (loss)	\$ (1,255,175)	\$ 16,502,481	\$ 22,295,326
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	611,326	22,410,096	3,341,290
Accounting adjustment for retirement expense	-	(990,996)	
Loss of disposal of capital assets	-	-	133,146
Other non-operating revenues	-	-	290,929
Changes in assets and liabilities:			
Accounts and other receivables	(5,646)	(765,465)	972,896
Due from other governments		952,318	
Prepaid expenses	10,429	143,330	(31,675)
Inventory of supplies	4,737	(67,941)	-
Deposits and advances	-	-	111,668
Net pension asset	-	-	-
Accounts payable	(96,832)	(188,772)	505,523
Accrued payroll	1,838	1,073,338	392,937
Due to other governments	240	42,445	-
Deposits and other liabilities	(3,544)	(67,538)	-
Compensated absences	-	(25,108)	(190,605)
Self-insurance - claims and judgments	-	-	(4,085,585)
Net OPEB obligation	-	-	(123,657,524)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (732,627)</b>	<b>\$ 39,018,188</b>	<b>\$ (99,921,674)</b>

**NONCASH TRANSACTIONS:**

Amortization of issuance discounts	\$ -	\$ 338,887	\$ -
Amortization of issuance premiums	-	(605,211)	-
Amortization of (gain)/ loss on refunding	-	88,291	-
Costs of issuance paid from bond proceeds	-	-	-
Prepaid cost of issuance expense	-	(601,835)	-
Capital contributions	-	904,957	-
Retirement of capital assets	-	(68,669)	-
Transfer of capital assets from (to) other funds	-	(1,118,043)	1,472,532
Change in accrued interest related to loans from other funds	-	-	-
Debt forgiveness	-	7,764,379	-
Accounting adjustment for retirement expense	-	(990,996)	-
Loss of disposal of capital assets	-	(3,300,151)	-

## **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 Fund***

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 Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
<b>ASSETS</b>		
Cash and investments	\$ 45,409,381	\$ 6,887,278
Cash and investments with fiscal agents	12,868,834	10,618,105
Receivables, net:		
Interest	13,358	255
Accounts and other receivables	1,482,570	1,868
Deposits	-	54,900
Prepaid items	1,131	724,848
Due from other governments	416	-
Loans to other property owners	-	4,856
Capital assets:		
Nondepreciable	-	12,997,928
Depreciable, net	-	16,385,244
<b>Total assets</b>	<b>\$ 59,775,690</b>	<b>47,675,282</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 536,751	984
Accrued payroll	-	8,035
Due to other governments	75,870	-
Deposits and other liabilities	59,163,069	-
Loans from the City, net	-	2,495,332
Accrued interest	-	2,071,605
Bonds payable - current	-	1,914,148
Bonds payable - noncurrent	-	113,039,867
Pollution remediation	-	2,417,189
<b>Total liabilities</b>	<b>\$ 59,775,690</b>	<b>121,947,160</b>
<b>NET POSITION HELD IN TRUST</b>		<b>\$ (74,271,878)</b>

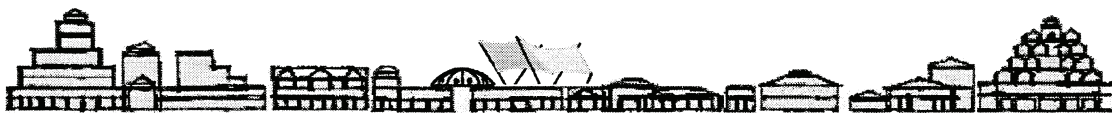
**City of Stockton**  
**Statement of Additions, Deductions and Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2015**

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	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
<b>ADDITIONS:</b>	
Property tax	\$ 10,539,328
Use of money and property	(10,418)
Investment Income	280,329
Refunds and reimbursements	45
Miscellaneous	11,308,498
Transfer in	1,750,082
<b>Total additions</b>	<u>23,867,864</u>
<b>DEDUCTIONS:</b>	
General government	4,223,242
Public Works	10,335,455
Interest and fiscal charges	6,728,508
Loss from disposal of capital assets	570,000
Transfer out	8,825,610
<b>Total deductions</b>	<u>30,682,815</u>
<b>EXTRAORDINARY ITEMS:</b>	
Gain on bankruptcy settlements (Note 18)	<u>4,754,532</u>
<b>CHANGE IN NET POSITION</b>	(2,060,419)
<b>NET POSITION:</b>	
<b>Beginning of year</b>	<u>(72,211,459)</u>
<b>End of year</b>	<u>\$ (74,271,878)</u>



# CITY OF STOCKTON



## NOTES TO BASIC FINANCIAL STATEMENTS



**City of Stockton**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**City of Stockton**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**City of Stockton**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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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 Accounting Principles Generally Accepted 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 is able to 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*

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 pursuant to 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 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 for the fiscal year ended June 30, 2015.

*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/or to refinance outstanding obligations of the City. The City does not prepare separate financial statements for the SPFA.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

**Excluded Agency**

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

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

The accounts of the City are organized on the basis of 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 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 clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. 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 non-major funds aggregated in and combined with the major funds.



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)**

**Government-wide Financial Statements (Continued)**

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.

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 interfund 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 interfund activities have been eliminated:

- 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 non-major 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 uses) 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 collectable within the current period as soon enough thereafter 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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)**

**Governmental Fund Financial Statements (Continued)**

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.

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 in accordance with 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 subsequent 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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)**

**Proprietary Fund Financial Statements (Continued)**

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.
- ***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 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, Employee and Retiree Health Insurance, Retirement Benefits, Other Benefits & Insurance, Vehicle Fleet Equipment, Computer Equipment, Radio Equipment, and Other Equipment funds.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)***

**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 like 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***

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

***Deferred Outflows of Resources*** – represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. Accordingly, the items are 1) the unamortized loss on refunding of debt and pension contributions reported in the government-wide statement of net position. An unamortized loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 2) Pension contributions related to prior period adjustment in accordance with GASB 68.

***Deferred Inflows of Resources*** – represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three type of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, are 1) unavailable revenue, is reported only in the governmental funds balance sheet; 2) deferred rent; and 3) pension expense related to excess investment earnings for the measurement period for July 1, 2013 to June 30, 2014. The governmental funds report unavailable revenues from notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***D. Encumbrances***

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

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***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 purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents,” including restricted cash held with 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.

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 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 along with interest earnings on investments 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 \$159,816 for the fiscal year ended June 30, 2015.

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

***F. Restricted Cash and Investments***

Restricted cash and investments consist of cash and investments held with 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 Fund 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 only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture. Cash held in the Water Rate Stabilization Fund was established pursuant to the 2009 Water Rate and Financing Study.

***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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. *Receivables (Continued)***

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met under 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 interfund loans) or "loans to/from other funds" (i.e., the non-current portion of interfund 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 a number of interfund balances which may or may not be repaid within a reasonable period of time. U.S. GAAP permits the reporting of interfund balances such as interfund loans and advances only when repayment is expected within a reasonable period of time. However, City policy does not permit the elimination of interfund balances without City Council approval. Accordingly, interfund balances, which are not expected to be repaid within a reasonable period of time or not at all, have been offset with an allowance for uncollectible advances in both the borrowing and the lending funds.

**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 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 in excess of one year.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**J. Capital Assets (Continued)**

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.

**J. 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.

**K. 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 prior to that date. As of June 30, the payroll accrual is recorded in the respective funds when the related liability is incurred.

**L. Accrued Compensated Absences**

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

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 employees 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.

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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**L. *Accrued Compensated Absences, Continued***

**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.

**M. *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.

Prior to 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 effective interest method. Bonds payable are reported net of the applicable premium or discount except for insurance prepaid bond insurance premiums. The City implemented GASB Statement No. 65 effective July 1, 2013, which changed how governments account for bond issuance costs. Issuance costs, except for prepaid bond insurance premium, are now expensed when incurred.

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.

**N. *Pensions***

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

The following timeframes are used for pension reporting:

	<b>CalPERS</b>	<b>PARS Enhancement Plan</b>
Valuation Date:	June 30, 2013	June 30, 2015
Measurement Date:	June 30, 2014	June 30, 2015
Measurement Period:	July 1, 2013 to June 30, 2014	July 1, 2014 – June 30, 2015

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. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. 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.

*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 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 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 expend the restricted net position.

***P. 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.

*Committed* – This amount indicates the portion of fund balances which can only be used for specific purposes pursuant to 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 with the City Manager of the City of Stockton.

*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. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned und balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***P. Fund Balances (Continued)***

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

***Q. 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 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 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.

***R. Use of Accounting 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.

***S. Implementation of New GASB Pronouncements***

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions. Statement 71 and Statement 68* provides guidance on how governments measure and report the long term obligations and annual costs associated with the pension benefits they provide to their employees. The requirement of this statement is to recognize a net pension liability measured as of a measurement date no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contribution entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 71 requires that the government recognize its contribution as a deferred outflows of resources. This statement became effective for financial statements for fiscal years beginning after June 15, 2014.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Implementation of New GASB Pronouncements**

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* effective July 1, 2014. The following transactions are the significant changes impacted by the adoption of GASB 68:

- **Pension expenditures:** City recognizes pension expenditures equal to the total of (a) amounts paid by the City to the pension plan and (b) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
- **Net pension liability:** City recognizes net pension liability to the extent the liability is normally expected to be liquidated with expendable available financial resources. City recognizes the net pension liability at the beginning of the year as prior period adjustment.
- **Net pension assets:** City eliminates net pension assets as prior period adjustment.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71 *Pension Transition For Contributions Made Subsequent To The Measurement Date – An Amendment of GASB Statement No. 68*. This statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contribution entities. Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The City implemented GASB Statement No. 71, *Pension Transition For Contributions Made Subsequent To The Measurement Date – An Amendment of GASB Statement No. 68* effective July 1, 2014. The following transactions are the significant changes impacted by the adoption of GASB No. 71:

- **Deferred outflows of resources – Contribution:** City recognizes deferred outflows of resources for contributions made subsequent to the measurement date.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 2 – Cash, Cash Equivalents, and Investments**

Cash and investments are classified in the accompanying financial statements as follows:

<b>Presented in the government-wide statement of net positions:</b>	
Cash and investments	\$ 311,266,633
Restricted cash and investments	58,676,772
<b>Presented in the fiduciary statement of net positions:</b>	
Cash and investments	52,296,659
Cash and investments with fiscal agents	23,486,939
<b>Total cash and investments</b>	<u><u>\$ 445,727,003</u></u>

Cash and investments at June 30, 2015, consisted of the following:

<b>Cash and Cash Equivalents</b>	
Cash on hand	\$ 74,715
Demand deposits	1,566,535
Total deposits	<u>1,641,250</u>
<b>Investments</b>	<u>444,085,753</u>
<b>Total cash and investments</b>	<u><u>\$ 445,727,003</u></u>

**A. Demand Deposits**

The carrying amount of the City's pooled cash deposits was \$1,566,534 at June 30, 2015. Bank balances before reconciling items were \$2,327,219 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.

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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**B. Authorized Investments**

**Investments Authorized by the California Government Code and the City’s Investment’s 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum in Portfolio</u>	<u>Minimum Credit Quality</u>
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' Acceptance	180 Days	40%	N/A
Commercial Paper	270 Days	25%	A1,P1,F-1
Medium-Term Corporate Notes	5 Years	30%	A
California Local Agency Investment Fund (LAIF)			
Investments made in County or other types of Investments		\$50,000,000	
Pools Require Due Diligence	Upon Demand	Per Account	N/A
California Asset Management Program (CAMP)	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 investments in variable rate demand obligations (VRDO) that are City obligations up to 10 years maturity, as allowed under IRS and SEC rulings. VRDO investments are limited to 15% of the portfolio.

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

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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
Commerical 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's 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	\$50,000,000	\$50,000,000
Investment Agreements	No Limit	AA-	No Limit	No Limit

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**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, 2015, the City had \$50,018,799 invested in LAIF, which had invested 2.08% of the Pool investment funds in medium-term and short-term structured notes and 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 invests in governmental securities. Essentially this serves to invest excess operating cash in the City's investment pool overnight in order to receive an investment return on those funds. These repurchase transactions occur daily.

***E. Investments in Guaranteed Investment Contracts***

The City has entered into nonparticipating guaranteed investment contracts (GICs), which are authorized under bond documents as outlined in the City's investment policy or the debt agreement.

GICs are non-marketable interest bearing agreements with or guaranteed by certain financial institutions. The agreements provide for a guaranteed return on principal over a specified period. A GIC is a general obligation instrument issued by a financial institution, subject to applicable legal restrictions. The City's investments in GIC's represent proceeds from bond issues that have been set aside (held for the benefit of the bondholders) as debt service reserves and proceeds of bonds that have been invested until used on the projects being financed. The investment contracts holding debt service reserves are held long-term and bear interest ranging from 1.73% to 5.316%. Certain investment contracts are collateralized by investments, with \$4,501,335 collateralized at 104% to 105%, as set forth in the agreements.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**F. Risk Disclosures**

**Disclosures Related to 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 for greater than five years and investment in variable rate obligations of the City of Stockton is permissible when allowed by the IRS and SEC. Investments maturing beyond a five-year horizon should not exceed fifteen percent (15%) of the total portfolio value at any given time. Maturity of investments is evaluated prior to 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.

<b>Investment Type</b>	Investment Maturities				
	Fair Value	1 Year or Less	1-3 Years	3-5 Years	5 Years or More
U.S. Agencies	\$ 132,395,053	\$ 10,964,070	\$ 61,446,399	\$ 59,984,584	\$ -
U.S. Treasuries	59,696,051	9,182,633	22,375,246	28,138,172	-
Medium Term Notes	64,177,544	2,760,834	37,011,269	24,401,657	3,784
Local Agency Investment Fund	50,018,799	50,018,799	-	-	-
Money Market Mutual Funds	91,937,994	91,937,994	-	-	-
Negotiable Certificates of Deposits	4,299,398	4,048,270	251,128	-	-
Tax Exempt Municipal Bonds	-	-	-	-	-
Repurchase Agreement	-	-	-	-	-
Guaranteed Investment Contracts	9,936,351	3,460,286	1,974,730	-	4,501,335
Commerical Paper	12,841,381	12,841,381	-	-	-
Asset Backed Securities	18,783,182	4,851,965	12,137,871	1,793,346	-
Total	<u>\$ 444,085,753</u>	<u>\$ 190,066,232</u>	<u>\$ 135,196,643</u>	<u>\$ 114,317,759</u>	<u>\$ 4,505,119</u>



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**F. Risk Disclosures (Continued)**

**Disclosures Related to Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This 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, 2015 for each investment type as provided by Standard and Poor's (S&P) investment rating system:

<u>Investment Type</u>	<u>AAA/AAAm</u>	<u>AA/AA+/Aam</u>	<u>A/A+/A-</u>	<u>A-1+</u>	<u>Total</u>
<b>Held By the City and Its Component Units</b>					
U.S. Agencies:					
Non-callable	\$ -	\$ 111,044,339	\$ -	\$ -	\$ 111,044,339
Medium Term Notes:					
Non-callable	-	23,266,036	35,368,143	-	58,634,179
Callable	-	-	5,536,370	-	5,536,370
Asset Backed Securities	11,916,133	-	-	-	11,916,133
Money Market Mutual Funds	68,821,218	-	-	-	68,821,218
Commerical Paper	-	-	-	12,841,380	12,841,380
<b>Held By Fiscal Agents:</b>					
U.S. Agencies	-	21,350,713	-	-	21,350,713
Money Market Mutual Funds	23,116,777	-	-	-	23,116,777
Total	<u>\$ 103,854,128</u>	<u>\$ 155,661,088</u>	<u>\$ 40,904,513</u>	<u>\$ 12,841,380</u>	

Not Rated or Exempted From Rating Disclosure:

Local Agency Investment Fund	50,018,799
U.S. Treasuries	59,696,051
Negotiable Certificates of Deposits	4,299,398
Guaranteed Investment Contracts	9,936,351
Medium Term Notes and Asset Backed Securities Note Rated By S&P	6,874,045
Total Investments	<u>\$ 444,085,753</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 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 2015, 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 September 17, 2015 and Fitch affirmed the AAA rating and brought the outlook to stable on September 19, 2015.

**Disclosures Related to Custodial Credit Risk**

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

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**F. Risk Disclosures (Continued)**

**Disclosures Related to Concentration Credit Risk**

The City’s investment policy regarding the amount that can be invested in any one issuer are 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, 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
<b>Held by City and its Component Units:</b>		
Advantage Government #1751 Fund	U.S. Gov Money Market Fund	\$ 68,214,864
Federal National Mortgage Association	Federal Agency Securities	43,046,986
Federal Home Loan Mortgage Corp	Federal Agency Securities	36,210,353
Federal Home Loan Bank	Federal Agency Securities	38,955,534
<b>Held by Fiscal Agent:</b>		
Federal Home Loan Bank	Federal Agency Securities	1,205,184

**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 in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may require. The ordinances, resolutions, and indentures are generally more restrictive than the City’s investment policy. Restricted cash and investments of the City is 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”(“RSF”) in the Water Fund in connection with the issuance of its 2010 Variable Rate Demand Water Revenue Bonds and an initial deposit of \$9.8 million has been made to the RSF in the Wastewater Fund in connection with the 2014 Wastewater Refunding Bonds. The City may apply moneys 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 Rate Stabilization Account at June 30, 2015 was \$2.8 million.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**G. Restricted Cash and Investments (Continued)**

At June 30, 2015, Government-wide restricted cash and investments and restricted cash and investments with fiscal agents are as follows:

<b>Governmental Activities</b>	\$ 2,155,813
<b>Business-Type Activities:</b>	
Water Utility	35,355,871
Wastewater Utility	20,980,536
Parking Authority	184,552
Subtotal	56,520,959
<b>Total Restricted Cash and Investments</b>	<b>\$ 58,676,772</b>

**Note 3 – Interfund Transactions**

**G. Loans To and From Other Funds**

“Loans to” and “loans from” balances represent loan activity between funds that is non-current. Interfund balances, which are not expected to be repaid within a reasonable period of time or not at all, have been offset with an allowance for uncollectible loans.

The most significant interfund transactions were as follows:

Fund Making Loan	Fund Receiving Loan	Amount	Allowance for Uncollectible Loans	Net
Capital Improvement Capital Projects Fund	Public Facilities Impact Fees Capital Project Fund	\$ 976,484	\$ (976,484)	\$ -
	Non Major Enterprise Funds - Golf Courses Fund	763,500	(763,500)	-
		<b>\$ 1,739,984</b>	<b>\$ (1,739,984)</b>	<b>\$ -</b>

- The \$976,484 loan from the Capital Improvement Capital Projects Fund to the Public Facilities Impact Fees Capital Projects Fund was for construction costs from community centers.
- The \$763,500 loan from the Capital Improvement Capital Projects Fund to the Nonmajor Enterprise Funds is for the Swenson Irrigation System Project at the golf course.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Interfund Transactions**

**B. Transfers In and Out**

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, 2015:

		<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<b>Governmental Activities:</b>				
General Fund	Program Support	\$ 929,045	\$ (12,660,563)	\$ (11,731,518)
General Fund	Debt Service / Settlement	-	(1,407,946)	(1,407,946)
Low-Moderate Income Housing-City Loans	Debt Service / Settlement	278,347	(1,131,026)	(852,679)
Capital Improvement	Program Support	3,500,182	-	3,500,182
Capital Improvement	Debt Service / Settlement	-	(6,900)	(6,900)
Capital Improvement	Capital Projects	2,733,455	-	2,733,455
Other Governmental Non-major Funds	Program Support	3,309,002	(2,129,877)	1,179,125
Other Governmental Non-major Funds	Debt Service	6,109,923	(165,448)	5,944,475
Other Governmental Non-major Funds	Capital Projects	-	(2,733,455)	(2,733,455)
Internal Service Funds	Program Support	7,156,717	-	7,156,717
Internal Service Funds	Transfer Loan Obligation	-	(3,398,604)	(3,398,604)
<b>Total Governmental Activities</b>		<u>24,016,671</u>	<u>(23,633,819)</u>	<u>382,852</u>
<b>Business-Type Activities:</b>				
Water Utility	Program Support	-	(360,368)	(360,368)
Wastewater Utility	Program Support	-	(560,348)	(560,348)
Stormwater Utility	Program Support	-	(30,999)	(30,999)
Parking Authority	Program Support	813,115	-	813,115
Parking Authority	Debt Service / Settlement	-	(909,167)	(909,167)
Other Enterprise Non-Major Funds	Program Support	665,000	(85)	664,915
<b>Total Business-Type Activities</b>		<u>1,478,115</u>	<u>(1,860,967)</u>	<u>(382,852)</u>
<b>Total</b>		<u>\$ 25,494,786</u>	<u>\$ (25,494,786)</u>	<u>\$ -</u>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**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, 2015 most of which are offset by an Allowance for Uncollectable Loans. Repayment of these loans is now contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, and under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes. If the Oversight Board finds that the loans are an enforceable obligation, the loans are to be repaid in accordance with a defined schedule over a reasonable term of years. Repayment cannot begin prior to fiscal year 2013-14 and the maximum annual repayment amount is limited based on calculations in the Code Section. However, these loans are subordinate to the priority lien of bondholders to the property tax increment revenue.

In addition, 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 with an allowance for uncollectible interest (\$106,435,553 as of June 30, 2015) as rate on the loan was 10%.

<u>Fund Making Loan</u>	<u>Fund Receiving Loan</u>	<u>Amount</u>	<u>Allowance For Uncollectible Loans</u>	<u>Net</u>
Internal Service Funds-Workers' Comp	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	\$ (500,000)	\$ -	\$ (500,000)
Low Moderate Income Housing RDA Loans	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	1,888,750	-	1,888,750
Low Moderate Income Housing RDA Loans	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	1,106,581	-	1,106,581
Non-Major Governmental - CDBG Fund	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	13,863,641	(13,863,641)	-
Non-Major Governmental - Public Facilities Impact Fees Capital Projects Fund	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	100,207	(100,207)	-
Non-Major Governmental - Dev. Services Fund	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	196,950	(196,950)	-
Wastewater Utility Enterprise Fund	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	43,746	(43,746)	-
Parking Authority Enterprise Fund	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	847,000	(847,000)	-
General Fund	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	727,957	(727,957)	-
Capital Improvement Capital Projects Fund	Private-Purpose Trust Fund Successor Agency To The Redevelopment Agency	17,056,102	(17,056,102)	-
	Interest on Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency Loans	106,435,553	(106,435,553)	-
Total:		<u>\$ 141,766,487</u>	<u>\$ (139,271,156)</u>	<u>\$ 2,495,331</u>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

- 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 \$1,888,750 of loans from the Low-Moderate Income Housing City Loans Special Revenue Fund to the former Redevelopment Agency Capital Projects Fund for payment of tax increment to the San Joaquin County Supplemental Educational Revenue Augmentation Fund under Assembly Bill 26 4x to be repaid in five installments beginning in FY 2012. The FY 2012 payment was not made due to the dissolution of the Redevelopment Agency effective January 31, 2012.
- The \$1,106,581 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 \$13,863,641 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 10% annual interest. As of June 30, 2015, outstanding accrued interest balance was \$106,435,553.
- The \$100,207 loan from the Public Facilities Impact Fees Capital Projects Fund to the former Redevelopment Agency Capital Projects Fund represents permit fees deferred under the Enterprise Zone Deferral Program.
- The \$196,950 loan from the Non-Major Governmental Development Services Fund to the former Redevelopment Agency Capital Projects Fund was for funding building permit fees.
- The \$43,746 loan from the Wastewater Utility Enterprise Fund to the former Redevelopment Agency Capital Projects Fund was for funding of two development project permit fees.
- The \$847,000 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 \$727,957 is a loan from the General Fund to the former Redevelopment Agency Capital Projects Fund for various project areas.
- The \$17,056,102 from the Capital Improvement Capital Projects Fund to the former Redevelopment Agency Capital Projects Fund represents loans for various project areas.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 5 – Loans to Property Owners**

Loans provided to property owners are managed by the City’s Economic Development Department. Loans receivable under the City’s loan programs at June 30, 2015 are as follows:

<u>Loan Programs</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Deferred Interest</u>	<u>Total</u>
First Time Home Buyers Program (HOME)	\$ 34,156,976	\$ 7,712,003	\$ 41,868,979
Community Development Block Grant Programs	17,210,585	4,231,927	21,442,512
Neighborhood Stabilization First Time Home Buyer Program	7,556,928	124,221	7,681,149
California Home Loans	3,394,994	182,914	3,577,908
Low & Moderate Income Housing Programs (Former Agency)	48,753,642	7,158,816	55,912,458
	<u>\$ 111,073,125</u>	<u>\$ 19,409,881</u>	<u>130,483,006</u>
Less: Allowance for Doubtful Accounts			(674,543)
			<u>\$ 129,808,463</u>

The governmental funds report unavailable revenues from notes and loans receivable. These amounts are recognized or reported as deferred inflow of resources 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/or Strong Neighborhoods Initiative Bond proceeds. The programs include loans for rehabilitation and/or 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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Settlement Between General Fund And Water, Wastewater Utility Funds**

The City of Stockton and the Howard Jarvis Taxpayers Association entered into a settlement on March 24, 2009. Under the terms of the settlement agreement, the City’s General Fund is required to repay the Water and Wastewater Utility Fund funds \$20,268,225. Howard Jarvis Taxpayers Association never filed a claim in the bankruptcy proceedings and the debt was deemed as forgiven. At June 30, 2015 the outstanding balance of the settlement were written off.

**Note 7 – Capital Assets**

**A. Governmental Activities**

Summary of changes in governmental activities capital assets for the year ended June 30, 2015 is as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2015</b>
Capital assets, note being depreciated:					
Land	\$ 41,785,623	\$ -	\$ (1,571,874)	\$ 194,700	\$ 40,408,449
Intangible assets - easements	4,354,960	-	-	-	4,354,960
Construction in progress	115,566,924	13,982,003	(13,487,113)	(15,768,236)	100,293,578
Total capital assets, not being depreciated	<u>161,707,507</u>	<u>13,982,003</u>	<u>(15,058,987)</u>	<u>(15,573,536)</u>	<u>145,056,987</u>
<b>Capital assets, being depreciated:</b>					
Infrastructure	528,874,897	493,430	-	14,017,726	543,386,053
Buildings and improvements	344,552,147	-	(40,527,604)	314,756	304,339,299
Machinery and equipment	55,305,946	2,340,677	(2,400,864)	2,447,253	57,693,012
Total capital assets, being depreciated	<u>928,732,990</u>	<u>2,834,107</u>	<u>(42,928,468)</u>	<u>16,779,735</u>	<u>905,418,364</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(144,551,978)	(12,991,188)	-	-	(157,543,166)
Buildings and improvements	(99,345,653)	(8,056,171)	8,100,124	-	(99,301,700)
Machinery and equipment	(38,236,581)	(3,865,236)	2,387,197	-	(39,714,620)
Total accumulated depreciation	<u>(282,134,212)</u>	<u>(24,912,595)</u>	<u>10,487,321</u>	<u>-</u>	<u>(296,559,486)</u>
Total capital assets, being depreciated, net	<u>646,598,778</u>	<u>(22,078,488)</u>	<u>(32,441,147)</u>	<u>16,779,735</u>	<u>608,858,878</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 808,306,285</u>	<u>\$ (8,096,485)</u>	<u>\$ (47,500,134)</u>	<u>\$ 1,206,199</u>	<u>\$ 753,915,865</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2015 is as follows:

General Government	\$ 4,221,030
Public Works	13,732,398
Parks & Recreation	2,456,056
Library	151,401
Public Safety	1,010,421
Internal Service Funds	3,341,289
Total	<u>\$ 24,912,595</u>



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Capital Assets (Continued)**

**B. Business-Type Activities**

Summary of changes in business-type activities capital assets for the year ended June 30, 2015 is as follows:

<b>Business-Type Activities</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2015</b>
Capital assets, note being depreciated:					
Land	\$ 15,626,841	\$ -	\$ (2,341,819)	\$ (194,702)	\$ 13,090,320
Intangible assets - easements	750,453	-	-	-	750,453
Construction in progress	15,913,283	10,523,479	(68,669)	(4,654,211)	21,713,882
Total capital assets, not being depreciated	<u>32,290,577</u>	<u>10,523,479</u>	<u>(2,410,488)</u>	<u>(4,848,913)</u>	<u>35,554,655</u>
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	999,824,246	904,957	(1,755,900)	4,563,428	1,003,536,731
Machinery and equipment	10,589,045	1,880,844	-	(920,717)	11,549,172
Total capital assets, being depreciated	<u>1,010,413,291</u>	<u>2,785,801</u>	<u>(1,755,900)</u>	<u>3,642,711</u>	<u>1,015,085,903</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(272,927,946)	(21,557,300)	797,568	88,157	(293,599,521)
Machinery and equipment	(7,451,947)	(359,677)	-	-	(7,811,624)
Total accumulated depreciation	<u>(280,379,893)</u>	<u>(21,916,977)</u>	<u>797,568</u>	<u>88,157</u>	<u>(301,411,145)</u>
Total capital assets, being depreciated, net	<u>730,033,398</u>	<u>(19,131,176)</u>	<u>(958,332)</u>	<u>3,730,868</u>	<u>713,674,758</u>
<b>Business-Type Activities Capital Assets, net</b>	<u>\$ 762,323,975</u>	<u>\$ (8,607,697)</u>	<u>\$ (3,368,820)</u>	<u>\$ (1,118,045)</u>	<u>\$ 749,229,413</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2015 is as follows:

Water Utility	\$ 7,477,717
Wastewater Utility	11,505,308
Stormwater Utility	1,609,422
Parking Authority	713,204
Golf Courses	75,885
Marina	535,441
Total	<u>\$ 21,916,977</u>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Capital Assets (Continued)**

**C. Fiduciary Fund Financial Statements**

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2015 is as follows:

<b>Fiduciary Fund Activities</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2015</b>
Capital assets, note being depreciated:					
Land	\$ 12,947,928	\$ -	\$ (50,000)	\$ -	\$ 12,897,928
Intangible assets - easements	100,000	-	-	-	100,000
Total capital assets, not being depreciated	<u>13,047,928</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>12,997,928</u>
<b>Capital assets, being depreciated:</b>					
Infrastructure	10,898,549	-	-	-	10,898,549
Buildings and improvements	11,749,529	-	(520,000)	-	11,229,529
Machinery and equipment	471,547	-	-	-	471,547
Total capital assets, being depreciated	<u>23,119,625</u>	<u>-</u>	<u>(520,000)</u>	<u>-</u>	<u>22,599,625</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(1,277,835)	(249,629)	-	-	(1,527,464)
Buildings and improvements	(4,099,940)	(420,056)	-	-	(4,519,996)
Machinery and equipment	(145,961)	(20,960)	-	-	(166,921)
Total accumulated depreciation	<u>(5,523,736)</u>	<u>(690,645)</u>	<u>-</u>	<u>-</u>	<u>(6,214,381)</u>
Total capital assets, being depreciated, net	<u>17,595,889</u>	<u>(690,645)</u>	<u>(520,000)</u>	<u>-</u>	<u>16,385,244</u>
<b>Fiduciary Fund Activities Capital Assets, net</b>	<u>\$ 30,643,817</u>	<u>\$ (690,645)</u>	<u>\$ (570,000)</u>	<u>\$ -</u>	<u>\$ 29,383,172</u>

Fiduciary fund depreciation expense for capital assets for the year ended June 30, 2015 is as follows:

Successor Agency	<u>\$ 690,645</u>
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**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt**

**A. Governmental Activities**

Summary of changes in governmental activities long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Reductions	Chapter 9 Adjustments	Balance June 30, 2015	Current	Non-Current
<b>Lease Revenue Refunding Bonds:</b>							
2006 Series A (Essential Services Building)	\$ 11,270,000	\$ -	\$ (435,000)	\$ -	\$ 10,835,000	\$ 450,000	\$ 10,385,000
Unamortized Discount	(58,459)	-	3,389	-	(55,070)	(3,389)	(51,681)
<b>Lease Revenue Bonds:</b>							
2009 Series A Capital Improvement Bonds	35,080,000	-	(5,183,842)	(29,896,158)	-	-	-
Unamortized Discount	(646,883)	-	17,525	629,358	-	-	-
<b>Variable Rate Demand Lease Revenue Bonds:</b>							
2009 Series A	26,075,000	-	(2,610,000)	(23,465,000)	-	-	-
2007 Series B	2,860,000	-	(275,000)	(2,585,000)	-	-	-
<b>Total Lease Revenue Bonds</b>	<b>74,579,658</b>	<b>-</b>	<b>(8,482,928)</b>	<b>(55,316,800)</b>	<b>10,779,930</b>	<b>446,611</b>	<b>10,333,319</b>
<b>Certificates of Participation:</b>							
Series 2003A (Former Redevelopment Housing)	1,055,000	-	(35,000)	-	1,020,000	35,000	985,000
Series 2003B (Former Redevelopment Housing)	11,210,000	-	(340,000)	-	10,870,000	355,000	10,515,000
Unamortized Discount	(8,616)	-	-	427	(8,189)	(427)	(7,762)
<b>Total Certificate of Participation</b>	<b>12,256,384</b>	<b>-</b>	<b>(375,000)</b>	<b>427</b>	<b>11,881,811</b>	<b>389,573</b>	<b>11,492,238</b>
<b>Pension Obligation Bonds:</b>							
2007 Series A	93,445,000	-	(1,800,000)	(91,645,000)	-	-	-
2007 Series B	28,325,000	-	-	(28,325,000)	-	-	-
Assured Guaranty Settlement	-	-	(2,154,219)	56,683,971	54,529,752	923,631	53,606,121
<b>Total Pension Obligation Bonds</b>	<b>121,770,000</b>	<b>-</b>	<b>(3,954,219)</b>	<b>(63,286,029)</b>	<b>54,529,752</b>	<b>923,631</b>	<b>53,606,121</b>
<b>Other Long-Term Obligations:</b>							
Notes Payable:							
U.S. Dept. of Housing and Urban Development	16,460,000	5,915,000	(7,250,000)	-	15,125,000	1,365,000	13,760,000
Capital Lease Obligations:							
Fire Vehicles	635,753	-	(64,519)	-	571,234	67,034	504,200
Civic Auditorium HVAC System	1,272,104	-	(186,247)	-	1,085,857	195,866	889,991
Citywide Communications System	310,663	-	(310,663)	-	-	-	-
4 Fire Trucks	1,478,533	-	(164,509)	-	1,314,024	169,937	1,144,087
State Animal Control Obligation	1,269,063	-	(465,212)	-	803,851	-	803,851
Settlement Obligation-Marina Towers	-	-	-	-	-	-	-
Bond Insurance Liability - 2006 Ser A (Essential Serv., Build)	108,854	4,473	(80,000)	(33,327)	-	-	-
Bond Insurance Liability - 2007 A&B Variable Rate	16,392,666	4,039,109	-	(20,431,775)	-	-	-
Interest Accrued on Insurance Proceeds	1,278,758	835,657	-	(2,114,415)	-	-	-
Bond Insurance Liability - 2007 A&B Pension Bonds	16,036,800	5,138,718	-	(21,175,518)	-	-	-
Interest Accrued on Insurance Proceeds	1,113,720	861,441	-	(1,975,161)	-	-	-
<b>Total Other Long-Term Obligations</b>	<b>56,356,914</b>	<b>16,794,398</b>	<b>(8,521,150)</b>	<b>(45,730,196)</b>	<b>18,899,966</b>	<b>1,797,837</b>	<b>17,102,129</b>
<b>Total</b>	<b>\$ 264,962,956</b>	<b>\$ 16,794,398</b>	<b>\$(21,333,297)</b>	<b>\$(164,332,598)</b>	<b>\$ 96,091,459</b>	<b>\$ 3,557,652</b>	<b>\$ 92,533,807</b>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Lease Revenue Bonds**

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

The 2006 Bonds were issued by the SPFA in the amount of \$13,965,000 on April 6, 2006. As of June 30, 2015, bonds totaling \$10,835,000 are due in semi-annual installments ranging from \$450,000 on August 1, 2015 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 (“NPMFG”).

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 pursuant to 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.

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. With the implementation of GASB Statement No. 65, the balance on the loss of refunding is reported as a deferred outflow of resources in the amount of \$515,580. The principal amount due is reported net of the unamortized discount of \$55,070.

The City is current on its debt service payment of the 2006 Bonds. Bond insurance to cover Trustee legal costs from the bankruptcy in the amount of \$108,854 has been received and a settlement has been made that resolved this liability upon implementation of the Plan of Adjustment. The City has accepted the lease under the confirmed Plan of Adjustment and debt service on the obligation has not changed as a result of the bankruptcy.

**Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects) (the “2009 Bonds”)**

The 2009 Bonds were issued by the SPFA in the amount of \$35,080,000 on September 9, 2009. As of June 30, 2015, upon the City’s implementation of the confirmed Plan of Adjustment and payment to the Trustee of all secured and unsecured claims related to the bonds, they are no longer outstanding. Payment to the Trustee included both the \$4,052,000 secured portion of the bonds, and an amount for the unsecured portion of \$285,227, which is the percentage of the remaining amount owed. That percentage is the same as was paid to all class 12 creditors (the unsecured claims). Additionally, Franklin Advisor’s Inc. (“Franklin”), the sole bond holder, also received the remaining reserve funds and project funds which together totaled \$886,632. Franklin has appealed the confirmation order and a hearing was held November 19, 2015. A ruling against Franklin was issued by the appellate court on December 11, 2015. The outcome of further appeals and the impact a successful appeal might have on the 2009 Obligations is unknown at this time.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Lease Revenue Bonds (Continued)**

**Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects) (the “2009 Bonds”) (Continued)**

The bonds totaling \$35,080,000 were due in annual installments of principal ranging from \$525,000 on September 1, 2013 (unpaid) to \$2,750,000 on September 1, 2038, with interest rates ranging from 6.75% to 7.0%, and a final maturity date of September 1, 2038. The 2009 Bonds were issued to finance various capital improvements located throughout the City.

The 2009 Bonds were limited obligations of the SPFA. The City, as lessor, and the SPFA, as lessee, entered into a site and facility lease dated September 1, 2009, whereby the City will lease to the SPFA certain real property, and the facilities. The 2009 Bonds were issued pursuant to Marks-Roos Local Bonds Pooling Act of 1985, as amended, and an Indenture of Trust dated as of September 1, 2009 (the “Indenture”) by and between the SPFA and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Under the Indenture, the SPFA pledged to the Trustee, for the benefit of the owners of the 2009 Bonds, all of the Revenues, consisting primarily of the Lease Payments from the City for the beneficial use and occupancy of the Property. While the debt has been satisfied upon implementation of the confirmed Plan of Adjustment, the Trustee has opted to leave the Trustee relationship in place until a final determination of the appeal is made. There remains \$29,401 in the Trustee accounts that is expected to eventually revert to Franklin.

The lease payments were payable from the City’s General Fund as described in the Official Statement. No other funds were legally pledged to the repayment of the 2009 Bonds; however, the City on receiving a confirmed Plan of Adjustment has written off the remaining debt at a gain of \$29,266,800, when netted with remaining unamortized discount.

The leased property owned by the City consisted of: Oak Park, Swenson Golf Course, and Van Buskirk Golf Course, and included site development, landscaping, utilities, equipment, furnishings, improvements and appurtenant and related facilities. Upon implementation of the confirmed Plan of Adjustment, funds representing the secured and unsecured claims were wired to the Trustee, combined with the remaining reserve and project funds and forwarded to Franklin in settlement of the debt. The assets described above are retained by the City.

**Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects) (the “2009 Bonds”)**

In March 2012, the City defaulted on the 2009 Bonds and continued to be in default until the Plan of Adjustment (“Plan”) was confirmed by the court in February 2015. During that time, Principal of \$1,090,000 and interest of \$3,588,319 were not paid to bondholders, and upon implementation of the Plan have been written down.

**Variable Rate Demand Lease Revenue Bonds 2007 Series A and Taxable 2007 Series B (the “2007 Bonds”)**

The 2007 Bonds were issued in two series: Series A (Tax-Exempt) in the amount of \$36,500,000 and Series B (Taxable) in the amount of \$4,270,000 on November 29, 2007. As of June 30, 2015 the bonds are no longer outstanding as part of a settlement between the City and the bond insurer, Assured Guaranty (“Assured”), that became effective upon implementation of the Plan of Adjustment, which was approved in February 2015. Under the terms of the settlement, the City surrendered the property located at 400 E Main St, Stockton CA, to Assured, and entered into a separate lease of portions of the building.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Lease Revenue Bonds (Continued)**

**Variable Rate Demand Lease Revenue Bonds 2007 Series A and Taxable 2007 Series B (the “2007 Bonds”)**  
**(Continued)**

Under the settlement there is no payment to reimburse funds that had been paid by the bond insurer (\$20,431,775) and no payment of interest that had been accruing on these amounts (\$2,114,415) from the time they were paid by the insurer. Additionally, the remaining principal of (\$26,050,000) will not be paid and the bonds are retired. The book value of the property at the time of the implementation of the Plan of Adjustment was \$33,622,760. A gain of \$14,973,430 has been booked for these bonds.

The 2007 Bonds were issued to provide funds to finance the acquisition of an office building and parking garage located at 400 E. Main in downtown Stockton. The Plan was to convert the building into the City Administration Building replacing the aging City Hall building and consolidate other City offices.

Under the settlement with Assured Guaranty, the City also entered into an eight year lease of portions of the building (with four optional one year extensions) and plans are underway for a planned move of City Hall operations over to the building.

**Certificates of Participation**

**Certificates of Participation Series 2003A and Taxable Series 2003B (the “2003 COPs”)**

The 2003 COPs were issued in two series on June 27, 2003 to finance the construction of capital improvements to provide redevelopment housing in the City.

The 2003 COPs, Series A were issued in the amount of \$1,160,000. As of June 30, 2015, \$1,020,000 remains outstanding with installments of principal ranging from \$35,000 on September 1, 2015 to \$75,000 on September 1, 2033, with interest rates ranging from 3.50% to 4.375%, and a final maturity date of September 1, 2033. The principal amount outstanding at June 30, 2015 is reported net of unamortized discount of \$ 8,189.

The 2003 COPs, Series B were issued in the amount of \$12,140,000. As of June 30, 2015, \$10,870,000 remains outstanding with installments of principal ranging from \$355,000 on September 1, 2015 to \$870,000 on September 1, 2033, with interest rates ranging from 4.52% to 5.28%, and a final maturity date of September 1, 2033.

The City has pledged lease payments, to the SPFA to repay the outstanding COPs. Under the settlement agreement with Ambac, the bonds insurer, the obligation for the General Fund to make lease payments, which previously included all of the payment has been reduced to 80.50% of the scheduled payments. The General Fund continues to have the right to reimbursement of the lease payments from Successor Agency tax increment revenue (20% set-aside). The reimbursement is subordinated to the pledge of Agency tax increment revenue paid to the 2006 Series C SNI Bonds (Note 8C).

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Certificates of Participation (Continued)**

**Certificates of Participation Series 2003A and Taxable Series 2003B (the “2003 COPs”) (Continued)**

The Leased Premises collectively consists of the real property comprised of the City’s main police facility located in the downtown area near City Hall, the Southeast Branch Library, and three of the City’s Fire Stations (No’s. 1, 5 and 14). For the right to the use and occupancy of the Leased Premises, the Lease Agreement requires the City to make lease payments.

Settlement payments are due and payable from available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease Agreement. The settlement payments are payable from any source of legally available funds of the City (up to approximately 80.50% of scheduled amounts as described above), which includes the General Fund. Portions of payments that may not be covered through the 20% set aside and the reduced Settlement Payments are to be paid by the bond insurer, should the reserve fund be insufficient. Should this occur, the interest rate to be paid on these “Ambac Payments” will be 8% compounded annually, and the original term of the lease would be extended until all scheduled debt payments and reimbursement of all Ambac Payments have been made.

The City and the former Redevelopment Agency have a reimbursement agreement under which the former Agency has agreed to reimburse the City for payments the City makes in connection with the COPs from Housing Set-Aside monies. In the event the Agency does not have sufficient Housing Set-Aside amounts in a particular year to make such payment or any portion thereof, the City agrees to allow the Agency to carry the balance forward until there is sufficient Housing Set-Aside amount available to meet the obligation. Unpaid reimbursement payments shall bear interest at the City’s annual investment rate of return at the time in effect until paid.

As of June 30, 2015 there are no unpaid amounts by the Successor Agency to the City. For the year ended June 30, 2015, lease reimbursements were \$988,471. The 20% Agency Housing Set-Aside for the year ended June 30, 2015 was \$3,330,833. The City is current on the payment of the 2003 COPs. However in September 2013, the funds reimbursed were insufficient to make full payment and there was a draw on the reserve fund. Partial reimbursement of this underfunded reserve fund has occurred in fiscal year 2014-15, and the remaining \$135,657 was reimbursed on September 16, 2015.

The City’s settlement with Ambac was confirmed as part of City’s Plan of Adjustment does not materially alter the planned payments to be made under the COPs, however, it does allow for extension of the maturities should funding be unavailable as briefly outlined above.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Pension Obligation Bonds**

**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 (“CalPERS”) 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 February 25, 2015, the date of implementation for the City’s Approved Bankruptcy Plan of Adjustment, bonds totaling \$91,645,000 were due in installments of principal ranging from \$2,035,000 on September 1, 2015 to \$8,400,000 on September 1, 2037, with interest rates ranging from 5.14% 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 February 25, 2015, the date of implementation for the City’s approved bankruptcy Plan of Adjustment, 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 the Insurer of the Bonds, Assured Guaranty (“Assured”).

As part of a settlement between the City and Assured, 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. That series of payments is made up of Non-Contingent General Fund payments which are made up of three types; Special Fund, Ask, and Supplemental, which have all been determined. Additionally, there are Contingent General Fund Payments, which are yet to be determined by future revenues of the City’s General Fund. Payments under the settlement for both contingent and non-contingent payments extend to July 2052 and July 2053 respectively. Payments made after the original debt service end date of September 1, 2037 will be retained by Assured. 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 Special Fund settlement payments with the Trustee on July 1 of each year beginning in 2015, with Ask and Supplemental Payments beginning on June 1 of each year beginning in 2023. Payments on the remaining non-contingent payments will commence on June 1, 2018.

In August 2012, the City defaulted on the 2007 POBs and under this new payment structure will have an altered obligation reported in table below.

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 and suspend contingent payments. Should this occurs unpaid amounts accrue interest at the Prime rate plus 3% and must be paid no later than 10 years after the suspension date. Additionally, any delinquent payments due under the agreement shall also accrue interest at the prime rate plus 3%.



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Pension Obligation Bonds (Continued)**

**Taxable Pension Obligation Bonds 2007 Series A and Series B (the “2007 POBs) (Continued)**

Prior to the City implementing the settlement, and while in default on the bonds the cumulative insurance proceeds received from the bond insurers on defaulted debt service payments made to the bondholders by the insurer prior to February 25, 2015 were \$17,098,274 for the Series A and 4,077,245 for the Series B. These amounts are written off as part of the City’s implementation of the settlement. These payments also accrue interest at prime rate plus 3% (6.25% through February 25, 2015) from the time amounts are paid. Accrued interest on the insurance proceeds as of February 25, 2015 was \$1,975,161 and has been written off as part of the settlement. When these write offs are added to the remaining principal amounts of \$91,645,000 and \$28,325,000 due on the A and B Series bonds, and the new liability of \$56,683,971 is placed on the books, the City has a net gain on implementation of the Plan of Adjustment of \$86,436,709.

Debt Service on the original bonds expires in September 2037, and payments under the settlement agreement extend to July 2053. In the event that 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 prior to 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 with respect to the 2007 POBs and results in a schedule of payments reflected in the following table.

***Annual Debt Service Requirement to Maturity***

Year Ending June 30,	Lease Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2016	\$ 450,000	\$ 456,494	\$ 390,000	\$ 596,539
2017	470,000	438,094	410,000	578,822
2018	490,000	418,894	430,000	560,186
2019	510,000	398,894	445,000	539,382
2020	530,000	378,094	470,000	516,225
2021-2025	2,980,000	1,537,250	2,725,000	2,188,743
2026-2030	3,690,000	815,203	3,505,000	1,389,506
2031-2035	1,715,000	77,963	3,515,000	377,879
Total	<u>\$ 10,835,000</u>	<u>\$ 4,520,886</u>	<u>\$11,890,000</u>	<u>\$ 6,747,282</u>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Annual Debt Service Requirement to Maturity (Continued)**

Year Ending June 30,	2007 Lease Ask Payments		Special Fund Payments		Supplemental Payments	
	Pension Obligation Bonds		Pension Obligation Bonds		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ -	\$ -	\$ 923,631	\$ 517,533	\$ -	\$ -
2017	-	-	17,130	1,448,256	-	-
2018	-	1,334,875	41,943	1,447,311	-	-
2019	-	1,334,875	69,384	1,444,997	-	-
2020	-	1,334,875	99,423	1,441,170	-	-
2021-2025	-	10,256,375	1,009,363	7,087,438	-	750,000
2026-2030	-	12,649,001	948,229	6,787,710	-	1,250,000
2031-2035	-	12,655,377	1,589,767	6,484,724	-	1,250,000
2036-2040	2,947,729	9,697,335	3,229,364	5,913,648	-	1,250,000
2041-2045	7,418,200	5,233,988	5,290,347	4,757,063	629,682	920,317
2046-2050	9,697,903	2,949,973	6,919,526	3,127,884	1,341,829	408,171
2051-2055	4,669,303	389,885	7,040,933	996,995	646,066	53,934
<b>Total</b>	<b>\$ 24,733,135</b>	<b>\$ 57,836,559</b>	<b>\$ 27,179,040</b>	<b>\$ 41,454,729</b>	<b>\$ 2,617,577</b>	<b>\$ 5,882,422</b>

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

**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 (“HUD”) to complete redevelopment projects. The first loan was paid off on August 1, 2014 and as of June 30, 2015, the second loan totaling \$1,340,000 has notes due in installments ranging from \$ 190,000 to \$260,000 that were to be paid August 1, 2015 through August 1, 2020, with interest rates ranging from 6.25% to 6.62%; the third loan with payments totaling \$4,575,000 has notes due in installments ranging from \$645,000 to \$890,000 that were due to be paid from August 1, 2015 through August 1, 2020, with interest rates ranging from 5.07% to 5.53%. These two loans were refunded during the fiscal year in order to reduce rates. Principal amounts due in the remaining years remain the same, however, interest rates on the remaining maturities have been reduced to 0.83% to 1.98%, providing for considerable savings. The fourth loan with payments totaling \$9,210,000 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 4.33% to 5.25%. Repayment of the loans is made from program income received under the City’s housing loans program.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Other Long-term Obligations (Continued)**

***Annual Debt Service Requirements to Maturity***

Year Ending June 30,	Notes Payable	
	HUD	
	Principal	Interest
2016	\$ 1,365,000	\$ 495,955
2017	1,400,000	492,299
2018	1,455,000	461,159
2019	1,515,000	426,927
2020	1,600,000	385,814
2021-2025	7,790,000	885,727
Total	\$ 15,125,000	\$ 3,147,881

**Capital Lease Obligations**

The City is current on its payment of Capital Lease Obligations. The City has accepted the leases under the confirmed Plan of Adjustment that was approved by the Court.

**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	(540,892)
Total	\$ 464,900

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Other Long-term Obligations (Continued)**

Capital Lease Obligations (Continued)

**Civic Auditorium 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 Heating, Ventilation & Air Conditioning (HVAC) system for the Stockton Memorial Civic Auditorium. The City authorized the purchase and installation of the HVAC system, making use of \$1,930,000 of the amount authorized. The remaining portion of the project costs were covered through federal grant funding. The lease agreement has payments due on February and August through February 2020 with an interest rate of 5.10%. Lease payments are repayable from the Capital Improvement Projects Fund.

The assets were completed at the end of June 2015 and were capitalized as follows:

Machinery and Equipment	\$ 1,861,906
Less: Accumulated Depreciation	<u>(287,044)</u>
Total	<u><u>\$ 1,574,862</u></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 were completed at the end of June 2015 and were capitalized as follows:

Machinery and Equipment	\$ 1,871,404
Less: Accumulated Depreciation	<u>(291,107)</u>
Total	<u><u>\$ 1,580,297</u></u>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**Other Long-term Obligations (Continued)**

**Capital Lease Obligations (Continued)**

These three leases qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments. As of June 30, 2015, the future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Year Ending June 30,	Capital Lease #1		Capital Lease #2		Capital Lease #3	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 67,035	\$ 21,420	\$ 195,866	\$ 52,913	\$ 169,937	\$ 43,363
2017	69,649	18,806	205,983	42,796	175,545	37,755
2018	72,364	16,090	216,622	32,157	181,338	31,962
2019	75,186	13,269	227,810	20,969	187,323	25,978
2020	78,118	10,337	239,576	9,202	193,504	19,796
2021-2024	208,882	12,255	-	-	406,377	20,224
Total	\$ 571,234	\$ 92,177	\$ 1,085,857	\$ 158,037	\$ 1,314,024	\$ 179,078

**State Animal Control Obligation**

The City claimed \$2.9 million from July 1, 1998 through June 30, 2007, in unreimbursed State mandates from the State of California (“State”), excluding July 1, 2003 through 2005 in Animal Adoption Program costs. Upon State audit of the mandated cost claims, the State disallowed \$2.5 million of the \$2.9 million costs claimed by the City had received \$2.1 million for the period mentioned above. The State findings were that the remaining net of \$1.7 million (with fiscal year 2010-11 reduction of \$238,000) must be repaid to the State and agreed the City will receive credit for repayment by offsetting future State reimbursements for mandated costs. The City’s obligation was adjusted during the year by \$465,212. The balance of the obligation at June 30, 2015 was \$803,851.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities**

Summary of changes in business-type activities long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Reductions	Chapter 9 Adjustments	Balance June 30, 2015	Current	Non-Current
<b>Water Utility</b>							
California Statewide Community Development Authority Revenue Bonds							
Series 2002A (Water System Capital Unamortized Discount)	\$ 8,060,000 (125,602)	\$ -	\$ (735,000) 14,219	\$ -	\$ 7,325,000 (111,383)	\$ 765,000 (14,220)	\$ 6,560,000 (97,163)
Stockton Public Financing Authority Revenue Bonds							
Series 2005A (Water System Capital Unamortized Discount)	24,230,000 95,699	-	- (4,469)	-	24,230,000 91,230	-	24,230,000 86,762
Stockton Public Financing Authority Revenue Bonds							
Series 2009A (Delta Water Project) Series 2009B (Delta Water Project) Unamortized Premium	12,380,000 154,550,000 976,913	-	(3,285,000) -	-	9,095,000 154,550,000 936,489	3,440,000 -	5,655,000 154,550,000 896,065
Stockton Public Financing Authority Revenue Bonds							
Series 20010A (Delta Water Project) Unamortized Premium	54,135,000 3,274,033	-	(160,000) (124,330)	-	53,975,000 3,149,703	165,000 20,954	53,810,000 3,128,749
Note Payable							
Federal Drought Relief Act Loan	252,271	-	(82,728)	-	169,543	86,865	82,678
<b>Total Water Utility</b>	<b>257,828,314</b>	<b>-</b>	<b>(4,417,732)</b>	<b>-</b>	<b>253,410,582</b>	<b>4,508,491</b>	<b>248,902,091</b>
<b>Wastewater Utility</b>							
Stockton Public Financing Authority Certificates of Participation							
Revenue COP 1998 Series A (Wastewater) Refunding COP 2003 Series A	73,100,000 8,170,000	-	(73,100,000) (8,170,000)	-	-	-	-
Revenue Bonds							
Refunding Revenue Bonds Series 2014 Unamortized Discount Unamortized Premium (2014 Bonds)	- (323,077) -	69,440,000 -	- 323,077 (435,988)	-	69,440,000 - 10,343,730	3,230,000 -	66,210,000 - 9,613,749
<b>Total Wastewater Utility</b>	<b>80,946,923</b>	<b>80,219,718</b>	<b>(81,382,911)</b>	<b>-</b>	<b>79,783,730</b>	<b>3,959,981</b>	<b>75,823,749</b>
<b>Central Parking District</b>							
Stockton Public Financing Authority Lease Revenue Bonds							
Series 2004 (Parking and Capital Projects) Unamortized Discount Liability Related to Insurance Proceeds Settlement Liability	30,870,000 (48,398) 2,652,554 -	-	(470,000) 1,591 -	(30,400,000) 46,807 (4,139,139) 26,727,954	-	-	-
<b>Total Central Parking District</b>	<b>33,474,156</b>	<b>1,486,585</b>	<b>(1,885,014)</b>	<b>(7,764,378)</b>	<b>25,311,349</b>	<b>107,878</b>	<b>25,203,471</b>
<b>Marina</b>							
State DRAW Construction & Planning Loan	10,870,821	-	-	-	10,870,821	-	10,870,821
<b>Total Marina</b>	<b>10,870,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,870,821</b>	<b>-</b>	<b>10,870,821</b>
<b>Total</b>	<b>\$ 383,120,214</b>	<b>\$ 81,706,303</b>	<b>\$ (87,685,657)</b>	<b>\$ (7,764,378)</b>	<b>\$ 369,376,482</b>	<b>\$ 8,576,350</b>	<b>\$ 360,800,132</b>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**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 purposes of 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 with respect to 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 recent implementation of the Approved Bankruptcy Plan of Adjustment did not directly impact repayment of the bonds.

**Note Payable**

In August 1977, the City accepted a Federal Drought Relief Act loan to finance drought relief projects for the Fund. The note bears interest at 5.0% per annum with payments due each July ending July 2017. The note is repayable from the net revenue of the Water Fund. The balance as of June 30, 2015 was \$169,543.

**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, 2015, \$7,325,000 of the 2002A Bonds are outstanding with installments of principal ranging from \$765,000 on October 1, 2015 to \$1,090,000 on October 1, 2022, with interest rates ranging from 4.600% 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. With the implementation of Government Accounting Standard Board ("GASB") Statement No. 65, the balance of the loss on refunding is reported as deferred outflow of resources in the amount of \$131,743. In addition, bond issuance costs related to prepaid insurance remained unamortized at June 30, 2015. The principal amount due is reported net of unamortized discount of \$111,383.

**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, 2015, \$24,230,000 of 2005A Bonds remain outstanding with installments of principal ranging from \$150,000 to \$2,350,000 beginning October 1, 2017 through October 1, 2035 and interest rates ranging from 4.0% to 5.0%. Net revenue of the water fund are pledged towards repayment of the 2005A Bonds. The 2005A Bonds were issued to finance various water system capital improvement projects. The principal amount due is reported net of the unamortized premium of \$91,230.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**Water Utility (Continued)**

**Stockton Public Financing Authority Revenue Bonds Series 2009A**

The 2009 Water Revenue Bonds, Series A (Tax-Exempt, Delta Water Supply Project) (the “2009A Bonds”) were issued in the amount of \$18,575,000 by the SPFA on August 11, 2009. As of June 30, 2015 2009A Bonds were outstanding in the amount \$9,095,000 with installments of principal due ranging from \$3,440,000 to \$5,655,000 beginning October 1, 2015 through October 1, 2016 with an interest rate of 5.0%. The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. Net revenues of the Water Fund are pledged towards repayment of the 2009A Bonds.

**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 pursuant to 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, 2015 was \$3,924,373 net of a reduction due to sequestration. As of June 30, 2015, there are \$154,550,000 in 2009B Bonds outstanding remaining with installments of principal ranging from \$3,835,000 to \$13,570,000 beginning October 1, 2017 through October 1, 2038, and interest rates ranging from 6.09% to 7.942%. The 2009B Bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. The principal amount due is reported net of unamortized premium of \$ 936,489. 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 7.2% for the federal fiscal year ending September 30, 2015.

It is anticipated that future subsidy payments will be subject to similar sized reductions. As long as this reduction continues at this level, net system revenues are projected to be adequate to maintain the coverage requirement (see Debt Covenants below).

**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, 2015, \$53,975,000 of 2010A Bonds remain outstanding with installments of principal ranging from \$165,000 to \$16,500,000 beginning October 1, 2015 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 principal amount due is reported net of the unamortized premium of \$3,149,703.



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (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, 2015, total principal and interest paid was \$21,584,518 and net revenues were \$19,585,983 after use of \$5.6 million in Rate Stabilization Fund resources. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds is \$533,831,634.

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 toward 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, 2015 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 purposes of 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 with respect to 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 recently implemented 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, 2015 bonds totaling \$69,440,000 are due in annual installments of principal ranging from \$3,230,000 to \$6,530,000 beginning September 1, 2015 through September 1, 2029, with interest rates ranging from 3.00% 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 from a pledge of net revenues of the Wastewater Fund. With the implementation of Government Accounting Standard Board ("GASB") Statement No.65, the balance of the loss on refunding is reported as deferred outflow of resources and at June 30, 2015 there is \$2,417,143 outstanding. The principal amount due is reported net of the unamortized premium of \$10,343,730.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**Wastewater Utility (Continued)**

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, 2015, the City paid total principal and interest of \$6,606,769 and refunded \$77,880,000 in Certificates and had net revenues of \$57,321,213 after a rate stabilization fund deposit of \$9.8 million. At June 30, 2015, the total principal and interest remaining to be paid on the Wastewater Bonds is \$98,565,050.

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, 2015 at each measurement period.

Wastewater utility rates have been increased through a Proposition 218 vote that passed in August 2010. Rates were raised to cover increased operating costs and to meet required coverage ratios. The rate increases are phased in over a five year period beginning in fiscal year 2010-11 and include an annual adjustment mechanism to account for inflation. The Wastewater Fund has met its debt service coverage ratio for fiscal year 2015.

**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, 2015, the 2004 Parking Bonds totaling \$30,400,000 are due in annual installments of principal ranging from \$530,000 on September 1, 2015 to \$2,950,000 on September 1, 2034, with interest rates ranging from 4.25% 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 liability, while still outstanding has been replaced by an alternate liability which reflects the payments required by the City under a settlement agreement reached with the Insurer of the Bonds, National Public Finance Guaranty ("NPF").

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, pursuant to 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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**Parking Authority (Continued)**

Lease Revenue Bonds, Series 2004 (“2004 Parking Bonds”) (Continued)

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. This was done as part of the settlement with NPPFG. 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 pursuant to 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.

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 done 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 NPPFG, 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 NPPFG. Payments which extend beyond the original debt service end date of September 1, 2034 will be retained by NPPFG.

Prior to the City’s implementation of the Approved Bankruptcy Plan of Adjustment, and while in default on the bonds, the cumulative insurance proceeds received from NPPFG on defaulted debt service payment made to the bondholders through February 25, 2015 was \$3,992,934. These amounts are written off as part of the City’s exit from bankruptcy. These payments also accrued interest at prime rate plus 3% (6.25% through February 25, 2015) from the time amounts are paid. Accrued interest on the insurance proceeds as of February 25, 2015 was \$146,206 and has been written off upon implementation of the Approved Bankruptcy Plan of Adjustment. When these write offs are added to principal amounts \$30,400,000 due on the Parking Bonds, remaining unamortized discount of \$46,807, and the new liability of \$26,727,954 is placed on the books, the Authority has a gain on exit from bankruptcy of \$7,764,379.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**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 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, 2015 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 generate sufficient annual revenues to cover operational costs (net of debt service). The City has provided an annual subsidy to the operator to cover this shortfall. Under the City’s chapter 9 bankruptcy filing and pendency plan budget for fiscal year 2012-13, the City discontinued the payment of the required debt service on August 1, 2012 (Note 17) but has continued the subsidy to the operator.

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.

**Annual Debt Service Requirements to Maturity**

Year Ending June 30,	Water Utility		Wastewater Utility		Parking Authority	
	Revenue Bonds and Federal Drought Relief Act Loan		Revenue Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 4,456,865	\$ 17,125,321	\$ 3,230,000	\$ 3,254,250	\$ 107,878	\$ 1,308,727
2017	6,677,678	16,850,889	3,345,000	3,138,900	113,534	1,303,071
2018	4,955,000	16,541,025	3,490,000	3,002,200	119,487	1,297,118
2019	5,165,000	16,243,527	3,635,000	2,859,700	301,540	1,288,608
2020	5,395,000	15,921,296	3,795,000	2,692,125	323,934	1,272,714
2021-2025	31,130,000	73,736,864	22,325,000	10,327,125	2,003,845	6,081,537
2026-2030	39,755,000	61,473,150	29,620,000	3,850,750	2,792,792	5,475,735
2031-2035	51,385,000	44,967,394	-	-	3,832,811	4,637,923
2036-2040	83,925,000	21,112,001	-	-	5,199,221	3,494,765
2041-2045	16,500,000	515,625	-	-	7,024,801	1,950,527
2046-2047	-	-	-	-	3,491,506	229,067
<b>Total</b>	<b>\$ 249,344,543</b>	<b>\$ 284,487,092</b>	<b>\$ 69,440,000</b>	<b>\$ 29,125,050</b>	<b>\$ 25,311,349</b>	<b>\$ 28,339,792</b>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**C. Fiduciary Fund Financial Statements**

Summary of changes in business-type activities long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Reductions	Chapter 9 Adjustments	Balance June 30, 2015	Current	Non-Current
<b>Successor Agency to the Redevelopment Agency:</b>							
Revenue Bonds							
Series 2004 (Stockton Events Center-Arena)	\$ 44,615,000	\$ -	\$ (590,000)	\$ (44,025,000)	\$ -	\$ -	\$ -
Settlement Obligation 2004 Bonds	-	-	-	40,356,602	40,356,602	378,084	39,978,518
2006 Series A (Redevelopment Projects)	51,215,000	-	(1,160,000)	-	50,055,000	895,000	49,160,000
2006 Series B (Redevelopment Projects)	-	-	-	-	-	-	-
2006 Series C (Housing Projects)	23,380,000	-	(530,000)	-	22,850,000	565,000	22,285,000
Unamortized Premium	2,887,814	-	(109,267)	(1,086,134)	1,692,413	76,064	1,616,349
<b>Total Successor Redevelopment Agency</b>	<b>\$ 122,097,814</b>	<b>\$ -</b>	<b>\$ (2,389,267)</b>	<b>\$ (4,754,532)</b>	<b>\$ 114,954,015</b>	<b>\$ 1,914,148</b>	<b>\$ 113,039,867</b>

**Successor Redevelopment Agency**

**Revenue Bonds Series 2004 (Event Center – Arena Project)**

The Redevelopment Agency of the City of Stockton issued Revenue Bonds, Series 2004 (“2004 Arena Bonds”) in the amount of \$47,000,000 on March 16, 2004 to provide funds to finance a portion of the costs of an indoor arena consisting of approximately 220,000 square feet, including facilities for ice hockey, indoor football, indoor soccer, concerts and other events with a total seating capacity of approximately 10,000.

The Arena is part of the Stockton Events Center (the “Events Center”) which includes a baseball stadium with a seating capacity of approximately 5,000, an approximately 150-unit hotel complex, and approximately 60,000 square feet of retail/commercial space located in downtown Stockton.

As of June 30, 2015, 2004 Arena Bonds totaling \$44,025,000 are due in annual installments of principal ranging from \$665,000 on September 1, 2015 to \$4,035,000 on September 1, 2036, with interest rates ranging from 3.375% to 5.00%, and a final maturity date of September 1, 2036. The 2004 Arena Bonds are insured by National Public Finance Guaranty (“NPMFG”) and have a cash reserve fund.

The 2004 Arena Bonds are limited obligations of the Successor Agency payable from and secured by revenues consisting primarily of lease payments to be made by the City, as lessee, to the Successor Agency, as the lessor, pursuant to a Lease Agreement dated as of March 1, 2004, a pledge of payments to be made by the Successor Agency from Tax Revenues derived from the Project Area, is pledged towards debt service payments pursuant to a pledge agreement dated March 1, 2004 between the Successor Agency and the City.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Debt (Continued)**

**C. Fiduciary Fund Financial Statements (Continued)**

**Successor Redevelopment Agency (Continued)**

**Revenue Bonds Series 2004 (Event Center – Arena Project) (Continued)**

The City negotiated a settlement with NPMFG relating to the City's obligations with respect to the 2004 Arena Lease Revenue Bonds (the "Bonds"). This settlement was confirmed in the City's Approved Bankruptcy Plan of Adjustment (the "Plan"). The Plan, as confirmed by the Bankruptcy Court, provided for material modifications of the City's pledge of general fund and special tax increment revenues with respect to the payment obligations relating to the Bonds. Under the terms of the settlement, the principal portions of the City's obligation relating to the 2004 Arena Lease Revenue Bonds has been reduced and certain special tax revenues of the West End Urban Renewal No. 1 Redevelopment (West End) Project Area and certain supplementary pro-rata revenue sources of the successor agency, subject to availability, are pledged for repayment of such obligation. The City is not obligated to make payments from its General Fund provided the pledged special revenue stream is sufficient to make restructured payments as they become due and payable. The City expects such special tax revenues to be sufficient to repay all restructured obligations relating to the Bonds, and therefore does not anticipate that any other source of funds for repayment will be necessary. However, should such special tax revenues be insufficient to repay the restructured obligations relating to the Bonds, the City could be obligated to pay a portion of such shortfall from its General Fund, generally in amounts, as specified in the settlement documents, which would be less than the full amount of such shortfall.

The Project Area is commonly known as the West End Project Area, a sub area of the Merged Waterfront Project Area. The Successor Agency's obligation to make payments under the pledge agreement is secured by a pledge of and a first lien on the tax revenues from the West End Project area. To the extent pledge payments are applied to pay debt service on the 2004 Arena Bonds, there will be a corresponding reduction in the lease payments.

Prior to the dissolution of Redevelopment Agencies in California, the City used tax increment from the Merged Waterfront Project Area to pay the annual debt service. After dissolution, the repayment is being made from a combination of the pledged tax increment in the West End Project Area and a pledged pro-rata share of all of the other tax increment revenue of the Successor Agency available to support enforceable obligations of the Successor Agency.

For the year ended June 30, 2015, principal and interest paid was \$2,673,221 and Successor Agency project area tax increment was \$3,995,610. Using the West End Project Area pledge and the non-pledged pro-rata share of all other tax increment, there were no shortfalls in revenues needed to make the debt service payment due during the year and reserve funds used in the prior fiscal year were fully replenished. Under the settlement agreement, the Reserve funds are no longer required to be maintained by the City, and NPMFG may use them to cover differences between settlement payments and the amounts being paid to bondholders, until depleted, after which they are required to fund these differences.

As part of the City's settlement with NPMFG, principal reductions have occurred which reduce the outstanding amount due on the Bonds. The original remaining principal amount of \$44,025,000 and remaining premium of \$1,086,134 were written down and replaced with a new liability of \$40,356,602. The new liability includes an adjustment for additional principal of \$140,992, which was paid after the agreement was reached, but before the plan was confirmed. Interest portions of the original debt remain unchanged.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**C. Fiduciary Fund Financial Statements (Continued)**

**Successor Redevelopment Agency (Continued)**

**Revenue Bonds Series 2006 (Strong Neighborhoods Initiative)**

The SPFA issued Revenue Bonds (Redevelopment Projects), 2006 Series A, Taxable Revenue Bonds (Redevelopment Projects, 2006 Series B and the Taxable Revenue Bonds (Housing Projects, 2006 Series C (the “SNI Bonds”)) in the amount of \$75,755,000 on July 12, 2006. As of June 30, 2015, the 2006 Series A Bonds totaling \$50,055,000 are due in annual installments of principal ranging from \$0 on September 1, 2021 (due to secondary purchases in the bond market) to \$3,000,000 on September 1, 2037, with final payment on September 1, 2037, with interest rates ranging from 5.00% to 5.25%. The principal amount due is reported net of unamortized premium of \$1,692,413.

The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a portion of three loans (collectively, the Redevelopment Loans) under three loan agreements (the Redevelopment Agreement) between the SPFA and the former Redevelopment Agency, relating respectively, to the Redevelopment Agency’s Midtown Redevelopment Project, North Stockton Redevelopment Project and South Stockton Redevelopment Project. The portion of each Redevelopment Loan allocable to the Series A and B Bonds was used to finance certain redevelopment projects within or of benefit to the Midtown, North Stockton, and South Stockton Redevelopment Projects. The Series A and B are special obligations of the former Successor Redevelopment Agency payable from tax increment revenues from the Midtown, North Stockton, and South Stockton Redevelopment Project Area. The Series C Bonds are special obligations of the Agency payable from the low and moderate income housing allocation.

The Taxable 2006 Series C from the RDA Bonds were issued in the amount of \$25,985,000 on July 12, 2006. The series C Bonds were used by the Agency to finance certain low and moderate income housing projects throughout the City. As of June 30, 2015, bonds totaling \$22,850,000 are due in installments of principal ranging from \$565,000 on September 1, 2015 to \$1,720,000 on September 1, 2037, with interest rates ranging from 6.15% to 6.87%.

The Series A, Taxable Series B and Taxable Series C are insured by Radian and have cash reserve funds allocable to each loan agreement by project area.

The City’s recently completed bankruptcy did not directly impact repayment of the SNI Bonds.

**Annual Debt Service Requirements to Maturity**

Year Ending June 30,	<u>Successor Agency to the Redevelopment Agency</u>			
	2006 Series A & C			
	Revenue Bonds		Settlement Obligation	
	Principal	Interest	Principal	Interest
2016	\$ 1,460,000	\$ 4,102,171	\$ 378,084	\$ 2,061,674
2017	1,985,000	4,009,347	600,264	2,036,484
2018	2,920,000	3,877,335	681,009	2,007,575
2019	2,430,000	3,731,290	769,529	1,975,615
2020	3,210,000	3,577,433	830,516	1,939,310
2021-2025	11,470,000	15,905,685	5,995,887	8,967,350
2026-2030	16,195,000	11,951,116	9,424,813	7,088,569
2031-2035	19,850,000	6,906,467	14,273,750	3,953,875
2036-2039	13,385,000	1,201,817	7,402,750	396,500
Total	<u>\$ 72,905,000</u>	<u>\$ 55,262,661</u>	<u>\$ 40,356,602</u>	<u>\$ 30,426,952</u>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Debt (Continued)**

**D. 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, 2015, there were six CFD special tax bonds, two special assessment bonds, and seven revenue bonds outstanding with aggregate principal amounts payable of \$53,700,000, \$5,175,000, and \$35,570,000, respectively.

Conduit Debt (No City Commitment) – Revenue bonds, certificates of participation, and capital leases have been issued to provide financial assistance to public and private sector entities for the funding of mortgage loans, capital improvements to medical facilities, and refinancing of previously existing debt deemed to be in the public interest. The debt is secured by the property financed and is payable solely from payments received on the underlying assets. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the outstanding debt is not reported as a liability in the City’s basic financial statements. As of June 30, 2015, conduit debt outstanding consisted of a single series revenue bond, a certificate of participation, and a lease with an aggregate principal amount outstanding of \$13,385,720.

These obligations are secured either by special taxes or assessment revenues, collected by the City which are legally restricted and payable independently of funds available in the City’s General Fund. The City does not expect repayment of these obligations to be directly impacted by the Chapter 9 filing.

**Note 9 – 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 fiscal 2012-13 and continued through June 30, 2015. 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 Balance	\$ 10,591,016	\$ 870,353	\$ 11,461,369
Additions	7,548,380	883,430	8,431,810
Payments	(7,607,072)	(908,538)	(8,515,610)
Ending Balance	<u>\$ 10,532,324</u>	<u>\$ 845,245</u>	<u>\$ 11,377,569</u>
Current Portion	<u>\$ 5,924,334</u>	<u>\$ 644,490</u>	<u>\$ 6,568,824</u>
Non-Current Portion	<u>\$ 4,607,990</u>	<u>\$ 200,755</u>	<u>\$ 4,808,745</u>



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 10 – Unamortized Loss on Refundings**

Summary of Changes in Unamortized Loss on Refundings for the year ended June 30, 2015 is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
<b>Governmental Activities:</b>				
<b>Lease Revenue Refunding Bonds:</b>				
2006 Series A (Essential Services Building)	\$ (547,308)	\$ -	\$ 31,728	\$ (515,580)
<b>Business-Type Activities:</b>				
Development Authority Revenue Bonds				
Series 2002A (Water System Capital Improvements)				
Revenue Bonds	\$ (148,561)	\$ -	\$ 16,818	\$ (131,743)
Stockton Public Financing Authority				
Refunding Revenue Bonds Series 2014	(2,312,035)	(312,084)	206,976	(2,417,143)
<b>Total business-type activities</b>	<u>\$ (2,460,596)</u>	<u>\$ (312,084)</u>	<u>\$ 223,794</u>	<u>\$ (2,548,886)</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the Year Ended June 30, 2015**

**Note 11 – 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, 2015 are as follows:

	General Fund	HOME Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement	Other Governmental	Total Governmental Funds
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventories	\$ 389,925	\$ -	\$ -	\$ -	\$ -	\$ 389,925
Prepaid Expense	157,649	-	-	-	23,220	180,869
Advance Deposits	262,357	-	-	-	358,885	621,242
<b>Total Nonspendable</b>	<b>809,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>382,105</b>	<b>1,192,036</b>
<b>Restricted For:</b>						
Section 108 Loan	1,256,497	-	-	-	-	1,256,497
Community Development	-	-	-	-	19,967,626	19,967,626
Debt Service Reserve	-	-	-	-	2,961,461	2,961,461
General Government	-	-	-	17,375,206	1,185,785	18,560,991
Housing	-	311,808	5,986,471	-	4,627,086	10,925,365
Libraries and Arts	1,692,625	-	-	667,548	9,028,497	11,388,670
Parks and Recreation	-	-	-	-	5,988,437	5,988,437
Public Safety	-	-	-	-	4,582,330	4,582,330
Solid Waste / Recycling	-	-	-	-	1,907,932	1,907,932
Streets, Transit & Traffic	-	-	-	-	30,194,556	30,194,556
<b>Total Restricted</b>	<b>2,949,122</b>	<b>311,808</b>	<b>5,986,471</b>	<b>18,042,754</b>	<b>80,443,710</b>	<b>107,733,865</b>
<b>Committed For:</b>						
Bankruptcy	18,057,093	-	-	-	-	18,057,093
General Government Operations	10,597,188	-	-	-	-	10,597,188
<b>Total Committed</b>	<b>28,654,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,654,281</b>
<b>Assigned For:</b>						
General Government Operations	5,902,260	-	-	-	-	5,902,260
<b>Total Assigned</b>	<b>5,902,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,902,260</b>
<b>Unassigned</b>	<b>33,012,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,012,589</b>
<b>Total Fund Balances</b>	<b>\$ 71,328,183</b>	<b>\$ 311,808</b>	<b>\$ 5,986,471</b>	<b>\$ 18,042,754</b>	<b>\$ 80,825,815</b>	<b>\$ 176,495,031</b>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans**

The City contributes to three pension plans: the Safety Plan of the City of Stockton (Safety Plan), the Miscellaneous Plan of the City of Stockton (Miscellaneous Plan), 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 (REP), 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.

<b>Governmental Activities</b>	<b>Balance July 1, 2014 (As Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
<b>Deferred outflows of resources:</b>				
Pension contribution after measurement date:				
CalPERS Miscellaneous Plan	\$ 6,278,492	\$ 7,200,371	\$ 6,278,492	\$ 7,200,371
CalPERS Safety Plan	13,818,051	17,178,961	13,818,051	17,178,961
<b>Total deferred outflows of resources</b>	<b>\$ 20,096,543</b>	<b>\$ 24,379,332</b>	<b>\$ 20,096,543</b>	<b>\$ 24,379,332</b>
<b>Net pension liabilities:</b>				
CalPERS Miscellaneous Plan	\$ 107,723,252	\$ 37,121,019	\$ 61,882,666	\$ 82,961,605
CalPERS Safety Plan	275,869,308	79,638,237	125,430,733	230,076,812
<b>Total net pension liabilities</b>	<b>\$ 383,592,560</b>	<b>\$ 116,759,256</b>	<b>\$ 187,313,399</b>	<b>\$ 313,038,417</b>
<b>Deferred inflows of Resources:</b>				
Difference in projected and actual earnings on pension investments:				
CalPERS Miscellaneous Plan	\$ -	\$ 24,240,411	\$ -	\$ 24,240,411
CalPERS Safety Plan	-	48,013,242	-	48,013,242
<b>Total deferred inflows of resources</b>	<b>\$ -</b>	<b>\$ 72,253,653</b>	<b>\$ -</b>	<b>\$ 72,253,653</b>
<b>Business-Type Activities</b>				
<b>Deferred outflows of resources:</b>				
Pension contribution after measurement date:				
CalPERS Miscellaneous Plan	\$ 3,124,389	\$ 3,583,148	\$ 3,124,389	\$ 3,583,148
PARS	-	194,494	-	194,494
<b>Total deferred outflows of resources</b>	<b>\$ 3,124,389</b>	<b>\$ 3,777,642</b>	<b>\$ 3,124,389</b>	<b>\$ 3,777,642</b>
<b>Net pension liabilities:</b>				
CalPERS Miscellaneous Plan	\$ 53,606,725	\$ 18,472,691	\$ 30,794,902	\$ 41,284,514
PARS	4,263,084	1,040,350	1,118,728	4,184,706
<b>Total net pension liabilities</b>	<b>\$ 57,869,809</b>	<b>\$ 19,513,041</b>	<b>\$ 31,913,630</b>	<b>\$ 45,469,220</b>
<b>Deferred inflows of Resources:</b>				
Difference in projected and actual earnings on pension investments:				
CalPERS Miscellaneous Plan	\$ -	\$ 12,062,847	\$ -	\$ 12,062,847
<b>Total deferred inflows of resources</b>	<b>\$ -</b>	<b>\$ 12,062,847</b>	<b>\$ -</b>	<b>\$ 12,062,847</b>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 12 – Retirement Plans (Continued)**

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

**A. CalPERS Retirement Plan**

**General Information about Pension Plans**

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 the California Public Employees' Retirement System (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, 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 10 years of continuous service are eligible to retire at age 55. Public safety employees may retire at any age after 20 years of service.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**A. CalPERS Retirement Plan (Continued)**

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety	
	Prior to January 1, 2014	After January 1, 2014
Hire Date	Prior to January 1, 2014	After January 1, 2014
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Formula	Tier II Fire: 3% @ 55 Years of Age 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 Rates	41.385%	41.385%
	Miscellaneous	
	Prior to January 1, 2014	After January 1, 2014
Hire Date	Prior to January 1, 2014	After January 1, 2014
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Formula	Tier II Fire: 2% @ 55 Years of Age All Other: 2% @ 50 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 Rates	20.090%	20.090%

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms:

	Safety Plan	Miscellaneous Plan
Inactive Employess or Beneficiaries Currently Receiving Benefits	763	1,343
Inactive Employees Entitled to But Not Yet Receiving Benefits	282	984
Active Employees	493	815
	1,538	3,142

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 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, 2015, the Safety Plan employer contribution rate was 41.385% of wages. The Miscellaneous Plan was 20.09% of wages.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**A. CalPERS Retirement Plan (Continued)**

**Net Pension Liability**

The City’s net pension liability was measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

Actuarial Assumptions

The total pension liability in the June 30, 2013 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	6/30/2013		6/30/2013	
Measurement Date	6/30/2014		6/30/2014	
Actuarial Cost Method	Entry-Age Normal Cost Method		Entry-Age Normal Cost Method	
Actuarial Assumptions:				
Discount Rate	7.50%		7.50%	
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 of 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 in the June 30, 2013 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 7.50 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 current 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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**A. CalPERS Retirement Plan (Continued)**

**Net Pension Liability (Continued)**

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

Asset Class	Safety / Miscellaneous Plan		
	New Strategic Allocation	Real	Real
		Return Years 1-10(a)	Return Years 1-11+(b)
Global Equity	47.00%	5.25%	5.75%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitivity	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Private Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
<b>Total</b>	<b>100.00%</b>		

Changes in the Net Pension Liability

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

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/2014</b>	\$ 893,336,527	\$ 617,467,219	\$ 275,869,308
<b>Changes for the Year:</b>			
Service Cost	13,907,523	-	13,907,523
Interest	65,730,715	-	65,730,715
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	13,818,051	(13,818,051)
Contributions - Employee	-	6,449,394	(6,449,394)
Net Investment Income	-	105,163,288	(105,163,288)
Benefit Payments, Including Refunds of Employee Contributions	(47,761,534)	(47,761,534)	-
Administrative Expense	-	-	-
Other Charges	-	-	-
<b>Net Changes</b>	<b>31,876,704</b>	<b>77,669,199</b>	<b>(45,792,495)</b>
<b>Balances at 6/30/2015</b>	<b>\$ 925,213,231</b>	<b>\$ 695,136,418</b>	<b>\$ 230,076,813</b>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**A. CalPERS Retirement Plan (Continued)**

**Net Pension Liability (Continued)**

	Miscellaneous Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/2014</b>	\$ 627,033,727	\$ 465,703,750	\$ 161,329,977
<b>Changes for the Year:</b>			
Service Cost	9,440,824	-	9,440,824
Interest	46,152,921	-	46,152,921
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	9,402,881	(9,402,881)
Contributions - Employee	-	3,761,959	(3,761,959)
Net Investment Income	-	79,512,728	(79,512,728)
Benefit Payments, Including Refunds of Employee Contributions	(32,763,729)	(32,763,729)	-
Administrative Expense	-	-	-
Other Charges	-	-	-
<b>Net Changes</b>	<b>22,830,016</b>	<b>59,913,839</b>	<b>(37,083,823)</b>
<b>Balances at 6/30/2015</b>	<b>\$ 649,863,743</b>	<b>\$ 525,617,589</b>	<b>\$ 124,246,154</b>

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Safety Plan		
1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 354,676,802	\$ 230,076,813	\$ 127,965,918

Miscellaneous Plan		
1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 206,782,367	\$ 124,246,154	\$ 55,679,930

Pension Plan Fiduciary Net Position

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



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**A. CalPERS Retirement Plan (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$28,592,294. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Safety Plan</b>	
	Deferred Outflows of Resources	Deferred inflows of Resources
Differences Between Expected and Actual Experience	\$ 17,178,961	\$ -
Changes of Assumptions	-	-
Net Differences Between Projected and Actual	-	-
Earnings on Pension Plan Investments	-	(48,013,242)
Total	<u>\$ 17,178,961</u>	<u>\$ (48,013,242)</u>

	<b>Miscellaneous Plan</b>	
	Deferred Outflows of Resources	Deferred inflows of Resources
Differences Between Expected and Actual Experience	\$ 10,783,518	\$ -
Changes of Assumptions	-	-
Net Differences Between Projected and Actual	-	-
Earnings on Pension Plan Investments	-	(36,303,258)
Total	<u>\$ 10,783,518</u>	<u>\$ (36,303,258)</u>

For the year ended June 30, 2015, \$27,962,479 was reported as deferred outflows of resources related to contributions subsequent to the measurement date. This will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
June 30,	Amount	Amount
2016	\$ 12,003,310	\$ 9,075,815
2017	12,003,310	9,075,815
2018	12,003,310	9,075,815
2019	12,003,312	9,075,813
2020	-	-
Thereafter	-	-

**Payable to the Pension Plan**

At June 30, 2015, the City reported a payable of \$1,562,537 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 12 – Retirement Plans (Continued)**

**B. PARS Enhancement Plan**

**General Information about Pension Plans**

Plan Description

The PARS Retirement Enhancement Plan (REP), a closed retirement plan, provides retirement benefits for Municipal Utility Department employees for the period of time 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 of time OMI-Thames operated the City utilities.

Benefits Provided

Upon retirement, the REP benefits will supplement any CalPERS retirement for which those particular employees are eligible. Eligibility for the REP, a single-employer postemployment 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, 2015, the following employees were covered by the benefit terms:

	<b>Enhancement Plan</b>
Inactive Employees or Beneficiaries Currently Receiving Benefits	34
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Active Employees	53
	87

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 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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**B. PARS Enhancement Plan (Continued)**

**Net Pension Liability**

The City’s net pension liability was measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>Enhancement Plan</b>		
Valuation Date	6/30/2014		
Measurement Date	6/30/2015		
Actuarial Cost Method	Entry-Age Normal Cost Method		
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 age, service and type of employment

(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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the 2014 actuarial experience study.

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 current 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.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**B. PARS Enhancement Plan (Continued)**

**Net Pension Liability (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 1-11+(b)</u>
Cash	9.95%	0.53%	0.53%
Core Fixed Income	45.45%	2.08%	1.96%
Broad US Equities	32.46%	5.63%	4.24%
Developed Foreign Equities	9.45%	6.25%	4.53%
Emerging Market Equities	2.69%	8.50%	5.04%
Total	<u>100.00%</u>		

Changes in the Net Pension Liability

Changes in the Net Pension Liability for the Plan are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
<b>Balances at 6/30/2014</b>	\$ 9,321,510	\$ 5,058,426	\$ 4,263,084
<b>Changes for the Year:</b>			
Service Cost	145,882	-	145,882
Interest	650,386	-	650,386
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	751,157	(751,157)
Contributions - Employee	-	-	-
Net Investment Income	-	124,454	(124,454)
Benefit Payments, Including Refunds of Employee Contributions	(358,380)	(358,380)	-
Administrative Expense	-	(966)	966
Other Charges	-	-	-
<b>Net Changes</b>	<u>437,888</u>	<u>516,265</u>	<u>(78,377)</u>
<b>Balances at 6/30/2015</b>	<u>\$ 9,759,398</u>	<u>\$ 5,574,691</u>	<u>\$ 4,184,707</u>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Retirement Plans (Continued)**

**B. PARS Enhancement Plan (Continued)**

**Net Pension Liability (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:

<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
\$ 5,479,805	\$ 4,184,707	\$ 3,105,530

*Pension Plan Fiduciary Net Position*

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$453,644. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred inflows Or Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Differences Between Projected and Actual	194,494	-
Earnings on Pension Plan Investments	-	-
Total	\$ 194,494	\$ -

For the year ended June 30, 2015, \$194,494 was reported as deferred outflows of resources related to contributions subsequent to the measurement date. This will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2016	\$ 48,623
2017	48,623
2018	48,623
2019	48,625
2020	-
Thereafter	-

**Payable to the Pension Plan**

At June 30, 2015, the City did not have any outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 13 – Risk Services**

The City is exposed to various risks of loss related to liability torts; theft of, damage to, and destruction of assets; errors and omissions; health and medical needs of employees; and natural disasters. The City established three internal service insurance funds (General Liability, Workers' Compensation and Employee and Retiree Health Insurance funds) to account for and finance its self-insured risks of loss. Under the City's risk management program, the City retains risk for 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 active occupied positions.

The City's 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 upon past experience, modified for current trends and information. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is recognized at a 70% confidence level, using a 1.25% discount rate to reflect future investment earnings. While the ultimate amounts of losses incurred through June 30, 2015 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to recognize such losses. There have been no significant reductions in any of the City's insurance coverage each of the past three years.

Through the Chapter 9 Plan of Adjustment, effective February 25, 2015, certain outstanding general liability claims will be paid at 0.93578% of the claim amount. This results in a claims adjustment to the city for the outstanding and paid general liability claims.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 13 – Risk Services (Continued)**

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
<b>Balance, June 30, 2013</b>				
Claims Incurred	\$ 9,314,738	\$ 52,207,000	\$ 2,164,100	\$ 63,685,838
Claims Paid	2,168,329	13,953,818	8,015,382	24,137,529
Advance Deposits	(728)	(10,084,818)	(8,825,382)	(18,910,928)
<b>Balance, June 30, 2014</b>	11,482,339	56,076,000	1,354,100	68,912,439
Claims Incurred	582,228	5,027,642	5,628,425	11,238,295
Claims Adjustment	(3,218,160)	-	-	(3,218,160)
Claims Paid	(154,453)	(5,714,642)	(6,236,625)	(12,105,720)
<b>Balance, June 30, 2015</b>	<u>\$ 8,691,954</u>	<u>\$ 55,389,000</u>	<u>\$ 745,900</u>	<u>\$ 64,826,854</u>
Current Portion	<u>\$ 5,089,068</u>	<u>\$ 8,970,000</u>	<u>\$ 745,900</u>	<u>\$ 14,804,968</u>
Long-Term Portion	<u>\$ 3,602,886</u>	<u>\$ 46,419,000</u>	<u>\$ -</u>	<u>\$ 50,021,886</u>

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

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

The CJPRMA governing board is comprised of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Members are assessed annual contributions based on actuarially determined rates. CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for CJPRMA for the fiscal year ended June 30, 2015 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 \$10 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 (EWC) 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 the purpose of pooling risk and providing a viable and cost effective solution for the counties’ insurance and risk management needs. It has since expanded to allow admittance from cities and other entities and currently includes 93% of the counties in California, nearly 61% 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 million per occurrence by the CSAC-EIA. Statutory coverage for losses above \$5 million are covered by reinsurance and excess insurance policies throughout CSAC-EIA.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 14 – Postemployment Health Care Benefits**

In addition to providing pension benefits through CalPERS, the City provides certain health care benefits for retired employees under contractual obligations negotiated between the City and various employee bargaining units. However through the pendency plan, adopted on June 26, 2012, two plan changes were implemented. Retiree health benefits for future retirees were eliminated and City-paid retiree health benefits were reduced to a dollar subsidy based on service in FY 2013-14 and eliminated in FY 2014-15.

The City of Stockton and the Official Retirees Committee appointed by the United States Trustee have reached an agreement to settle claims of retirees for lost health benefits. The settlement is part of the City's Chapter 9 Plan of Adjustment effective February 25, 2015.

The City has allocated \$5.1 million in the Plan of Adjustment to be divided among those retirees who were eligible for lifetime retiree health benefits at the time the City filed for bankruptcy in June 2012. This lump sum was the sole payment for claims of lost future retiree medical benefits. The agreement between the City and Retirees does not propose any impairment of other existing retirement benefits.

Retirees are the City's largest group of unsecured creditors, with approximately 2,400 retirees, 1,100 of whom received retiree medical benefits. The retirees were represented in the City's pre-bankruptcy AB 506 process and during the Bankruptcy Court ordered mediation by the Association of Retired Employees of the City of Stockton (ARECOS). The Court determined that the City was eligible for bankruptcy protection on April 1, 2013, and the 13 retirees representing the retirees were immediately appointed by the Office of the United States Trustee to an Official Retirees Committee.

The City and the Official Committee of Retirees appointed by the Office of the United States Trustee to represent and to serve as fiduciary for the interests of the City's 2,400 retirees Committee agree as follows:

The City agrees to propose plan of adjustment that contains among others the following provisions and the Committee agrees subject to mutual agreement on the language with respect to the retiree health benefit claimants as defined in below in the City's plan of adjustment and disclosure statement to recommend that retirees vote to accept any such plan of adjustment and to use reasonable efforts to obtain retiree support of the plan. The required plan provisions are:

1. The City pays retiree health benefits claimants total of \$5.1 million in cash on the date that the plan of adjustment becomes effective and binding on the City and its creditors. This payment is in full satisfaction of all retiree health benefits claims and no other retiree health benefits will be provided by the City.
2. If required by state or federal law the City will withhold from the aggregate \$5.1 million payment any taxes or other deductions to be withheld from the individual payment to each claimant. The individual recipient is responsible for any tax liability for this payment and the City is not providing any advice to any recipient as to the taxable impact of this payment.
3. A retiree health benefit claimant is defined as retiree who was eligible for retiree health benefits based on his or her collective bargaining agreement at the time of retirement and:
  - Who was receiving City retiree health benefits as of June 30, 2012 (which includes any retiree who had waived coverage prior to that date but was otherwise eligible or any retiree who had exceeded the 15-year cap for under 65 retiree health benefits but who was eligible for City retiree benefit for an over 65 retiree), or
  - Who retired prior to July 2012 with their last day on payroll having occurred on or before June 30 2012, or
  - Who was surviving spouse of deceased retiree who was receiving retiree benefits on June 30, 2012.



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 14 – Postemployment Health Care Benefits**

4. Calculates such claims based on the loss each claimant suffered on account of the loss of future health benefits based on the claimants projected life expectancy as determined by the United States governments 2009 social security tables for males and females. The calculation of future projected benefits will be adjusted in the case of retirees who retired under age 50 and who are under age 65 at this time that have exhausted or would have exhausted their 15 years of under age 65 retiree health benefits prior to age 65. In these cases the gap between the two benefits owed no benefit was owed to the retiree for this time period will be calculated into determining the retirees full health claim amount.
5. The Plan does not impair in any way the provisions of the existing pension benefit plans under which employees retired including pension amounts and the capped annual cost-of living adjustment.

The actuarial valuation has not been updated to the date of the Plan of Adjustment because all OPEB obligations have been reduced to zero as of the effective date of the Plan.

The payment distribution is 0.93578% of the allowed amount of the health benefits claim. It is based on the amount payable for unsecured claims in Class 12 of the City's confirmed plan of adjustment. The payment for lost health benefit is considered wages, and payroll taxes have been deducted and withholdings have been made, as required by IRS and the California Franchise Tax Board.

As a result of this settlement, the City's net OPEB obligation liability of \$123,657,524 will be reduced to zero as the City completely eliminated this post-employment benefit.

A third party agent "Rust Omni" was hired to serve as a disbursement agent for the City of Stockton for the bankruptcy settlement. Checks were issued on February 20, 2015 to the retirees in the amount of \$5,193,119 for Retiree Health Benefit. The checks represents the share of the City's payment for its termination of health benefits for retirees and is made pursuant to the City's First Amended Plan for the Adjustment of Debts as modified, which was confirmed by a Bankruptcy Court order entered on February 4, 2015.

**Note 15 – 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 cleanup existing pollution. The liability is estimated based on the expected future cash flows technique (i.e., the sum of the probability-weighted amounts in a range of possible estimated amounts). Only components of the liability (e.g., site assessment, site investigation, corrective measures feasibility study, remediation design, remediation operations and maintenance, and post-remediation monitoring) which can be reasonably estimated are included in the estimated liability. Expected recoveries from insurers and other responsible parties reduce the estimated liability.

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

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 15 – Pollution Remediation Obligations (Continued)**

The former Agency, now Successor Agency, has identified six sites along the Stockton channel that are designated “Brownfields” by the U.S. Environmental Protection Agency (EPA), with the goal of revitalizing contaminated properties that the Successor Agency currently owns in the area near Stockton's downtown waterfront in the Waterfront Redevelopment Project Area. The following are details of each of the six Successor Agency-owned contaminated sites, including a description of the pollution, the obligating event requiring remediation action, estimable remediation costs components, and recoveries by responsible parties. Details of the liabilities as of June 30, 2015 are also discussed.

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

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

**Area 1 (Southpointe)** – Soil and groundwater contamination has been identified in Area 1 associated with historic railroad lines and underground petroleum storage tanks and pipelines. The obligating events for this site stem from a Polanco agreement notice issued to the responsible party associated with the soil contamination, and the Agency encountering groundwater contamination as part of the planned development of the site. Estimated costs are for consultant, legal and City personnel costs for cleanup of the site. Ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2015 is \$902,500, which includes an estimated recovery of costs by the responsible parties.

**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 consultant, legal and City personnel costs for cleanup of the soil contamination, and pre-cleanup and investigative study of the site relative to the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2015 is \$ 429,689, which includes an estimated recovery of costs by the responsible party.

**Area 2A-Morton/Alco** – Groundwater contamination has been identified in Area 2A-Morton/Alco associated with total petroleum hydrocarbons, volatile and semi-volatile organic compounds. The Agency has entered into a Polanco agreement with the Regional Water Quality Control Board for remediation action. Estimated costs are for consultant services and City personnel costs for pre-cleanup and investigative study of the site relative to the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2015 is \$490,000, which include an estimated recovery of pre-cleanup and investigative study costs by the responsible party.

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

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 15 – Pollution Remediation Obligations (Continued)**

The Agency is currently under discussions with the state DTSC and the CVRWQCB regarding the appropriate agency to enter into a Polanco agreement to access sub-surface conditions in Areas 3, 4, and 24.

Estimated costs include consultant, legal and City personnel costs for cleanup of the sites and for post-remediation/monitoring. The net pollution remediation liability for Area 3 and Area 4 includes an estimated recovery of post-remediation/monitoring costs by the responsible parties. The net liability of Area 3 as of June 30, 2015 is \$0 which includes an estimated recovery of costs by the responsible party for corrective measures, feasibility study and remediation design, offset by a revised estimate of the recovery by the responsible parties. The net liability for Area 4 at June 30, 2015 remains at \$55,000. The net pollution remediation liability for Area 24 as of June 30, 2015 is \$540,000, which includes an estimated recovery of costs by the responsible party.

The total net estimated net pollution remediation liability for the six sites in the amount of \$2,417,189, is reported in the Successor Agency as of June 30, 2015. During the year ended June 30, 2015, the Successor Agency recovered \$1,649 in related pollution remediation outlays and adjustments to future outlays, and recoveries for the polluted sites.

**Note 16 – Individual Fund Disclosures**

***Deficit Fund Balances***

At June 30, 2015, the following funds had net positions or fund balance deficits:

Fund	Fund Type	Deficit
Workers' Compensation Insurance	Internal Service Fund	\$ (31,194,401)

The Workers' Compensation Insurance Fund has an accumulated deficit fund balance of \$31,194,401 as of June 30, 2015. 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, contributions have been insufficient to cover the outstanding claims liabilities. On an accrual basis of accounting, the Fund has a long-term liability of \$46,419,000 for claims and judgments while the cash balance of the fund as of June 30, 2015 is \$24,775,960. The City has increased rates in FY 2013-14 to help fund the accumulated deficit over time.

**Note 17 – Commitments and Contingencies**

***Contingent Liability – Pending Litigation***

Various claims and legal actions are pending against the City, some of which have a reasonable possibility for an unfavorable outcome. These legal actions involve property, personal injury, and civil rights claims. GASB Statement No. 62 requires disclosure of pending litigation for which a contingency is reasonably possible and the amount cannot be reasonably estimated. Amounts for the above mentioned claims that cannot be reasonably estimated at this time have not been included in the financial statements. Management believes that ultimate disposition of these matters will not have a material adverse effect on the City's financial position or results of operations.

The City is self-insured and participates in two public entity risk pools (Note 13).

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 17 – Commitments and Contingencies (Continued)**

***Police Department Labor Agreements***

In 2010, the City Council enacted Resolution No. 10-0166 that declared a state of emergency based on fiscal circumstances, and directed the City Manager to take appropriate and lawful measures to achieve a balanced budget for FY 2010-11. On June 22, 2010, the City Council approved resolutions 10-0200 and 10-0201 adopting emergency measures affecting the terms and conditions of labor agreements for sworn employees in the Police departments. The emergency measures temporarily suspended scheduled pay increases from taking effect during FY 2010-11, as scheduled by labor agreements with the police union. Additional concessions were also imposed as part of the adoption of the FY 2011-12 budget in order to balance the City’s budget and the fiscal emergency declaration was continued. As a result of the adoption of the fiscal emergency declaration and measures, the Stockton Police Officers Association (“SPOA”) initiated grievance claims for some of the disputes that could have led to arbitration actions against the City.

Subsequently the City filed for bankruptcy on June 28, 2012 after a mandatory mediation period (under AB 506) with SPOA, the City’s other labor groups, and creditors. SPOA filed claims in the bankruptcy case relating to the modification of its 2009 Memorandum of Understanding (“MOU”) under the declarations of fiscal emergency and asserted that the claims exceeded \$13 million. The City disputed whether the claims were allowable in chapter 9 and, if so, that the amount would be less than \$13 million. The City reached agreement with the SPOA in mediation after filing for bankruptcy. As part of the MOU adopted by the City Council on December 11, 2012 and effective July 1, 2012, the City and SPOA agreed that the claim allowed in chapter 9 would be \$8.5 million, and in return SPOA members would receive 22 additional hours of paid leave. Those SPOA employees who were employed during some portion of the period July 1, 2010 through July 1, 2012 and who were still current employees as of the date of agreement would be eligible for additional hours. The 22 hours would be credited ratably over two years. The first 11 hours to be credited in the year the Plan is approved, with the balance in the following fiscal year.

In the event the Plan is not confirmed, the claims are considered unresolved and each party reserves the right to assert or dispute claims. The term of the current MOU with SPOA is July 1, 2012 through June 30, 2014. Subsequent to June 30, 2014 and as of the date these financial statements were published, the City has not entered into a new agreement with SPOA.

***Capital Commitments***

The City is undertaking a number of capital improvement projects, the most significant of which include the following outstanding capital commitments at June 30, 2015:

	<b>Amount</b>
Developer Reimbursements	\$ 5,598,041
Regional Wastewater Control Facility	2,494,048
Wastewater Treatment Plant - Capital Outlay	866,179
French Camp / Sperry Road	702,673
Sanitary System Improvements	591,731
Sanitary Pump Stations Rehabilitation	330,494
Total Capital Projects Commitments	\$ 10,583,166

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 17 – Commitments and Contingencies (Continued)**

***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:

<b>Year Ending June 30,</b>	<b>Amount</b>
2016	\$ 1,255,847
2017	1,262,614
2018	1,268,632
2019	1,603,032
2020	1,621,986
2021-2025	9,666,277
2026-2029	11,287,956
<b>Total</b>	<b>\$ 27,966,344</b>

***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, 2015 are as follows:

	<b>Amount</b>
General Fund	\$ 3,719,352
Capital Improvements	\$ 8,871,268
Other Governmental	\$ 9,762,105

***Facilities Management Agreement***

On January 25, 2011, the Stockton City Council approved a Facilities Management Agreement (Agreement) with SMG for providing operation management and marketing services to the City for the Stockton Events Center, which includes a multi-purpose indoor arena and a baseball park, the Events Center common areas, the Bob Hope Theatre and the Oak Park Ice Arena.

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.

The Agreement is for a period of five years commencing in 2011, 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. Beginning in 2014, the City may terminate the Agreement without cause.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 17 – Commitments and Contingencies (Continued)**

***Facilities Management Agreement (Continued)***

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 of these 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.

***Federal and State Grant Programs***

The City participates in a number of state and federal grant programs that are subject to financial and compliance audits by the grantors. Audits of certain grant programs for or including the year ended June 30, 2014, have not yet been conducted or completed. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that any audit disallowances would have a material effect on the financial position of the City.

***State Controller's Office to Review Transfers From Agency to City Executed After January 1, 2011***

Section 34167.5 of the Bill authorizes the State Controller to review transfers of assets from redevelopment agencies to the City that occurred after January 1, 2011. As a result of that review the State Controller has ordered that the City return transferred assets in the amount of \$1.3 million back to the Successor Agency. The City disagrees with the Controller's position and plans to vigorously defend its position in this matter.

**Note 18 – Chapter 9 Bankruptcy Settlements**

On May 26, 2010, the City Council declared a state of emergency based on fiscal circumstances and directed the City Manager to take appropriate and lawful measures to achieve a balanced budget for fiscal year 2010-11, which was accomplished. The City's fiscal health continued to deteriorate in FY 2010-11 and FY 2011-12 despite various cost cutting measures the City implemented. As a result, the fiscal emergency was continued on May 17, 2011 and February 28, 2012, along with Council authorization for the City Manager to enter into the mediation measures specified in California Assembly Bill 506 (AB 506), Cal. Govt. Code 53760 et seq. (AB 506). By participating in the AB 506 process, the City, under the auspices of a mediator, held discussions with creditors with the goal of obtaining concessions relating to the City's obligations. While progress was made with some creditors, the progress was insufficient to avoid insolvency, thereby leading the City to file a petition for chapter 9 bankruptcy relief on June 28, 2012. Shortly after the filing of the case, the presiding bankruptcy judge appointed a bankruptcy judge from Portland, Oregon, to mediate disputes between the City and its largest creditors in order to assist the parties in moving toward a consensual plan of adjustment.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 18 – Chapter 9 Bankruptcy Settlements (Continued)**

The City was current on all debt payments for FY 2010-11. On February 28, 2012, the Council approved suspending payments relating to three bond issues, with payments due at various times prior to the end of the FY 2011-12, in order to preserve General Fund cash and to attempt to avoid insolvency. Accordingly, the City defaulted on the following debt obligations, beginning in FY 2011-12:

- Stockton Public Financing Authority Lease Revenue Bonds, Series 2004 (Parking and Capital Projects)
- Stockton Public Financing Authority Variable Rate Demand Lease Revenue Bonds, 2007 Series A and Series B (Building Acquisition Financing Report)
- Stockton Public Financing Authority Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects)

As a result of the defaults, but prior to bankruptcy, certain creditors exercised their default rights and remedies to security and petitioned the courts to take possession and control of the assets backed by the debt obligations. These possessory interests in the assets were granted to the creditors and included three downtown parking structures (securing 2004 Series Lease Revenue Bond) and 400 East Main Street, the City Administration Building (securing 2007 Series A and B Variable Rate Demand Lease Revenue Bonds). Under settlement with the insurer, possession and control of the parking garages has been returned to the newly created Parking Authority and are reported as assets of the Parking Authority at June 30, 2015. Under settlement agreement with the insurer for bonds used to purchase 400 E Main property, control of the property did not return to the City therefore the asset is no longer reported as asset of the City at June 30, 2015.

For fiscal year 2012-13, the City adopted its Annual Budget on June 26, 2012, a Pendency Plan which provided for substantial cuts and elimination of City General Fund expenditures in order to continue operations. The most significant of those reductions were the elimination of retiree health benefits and of the principal and interest payments for General Fund supported debt obligations pending the outcome of the bankruptcy case. The City's bankruptcy filing and Pendency Plan notified creditors that the City would default on the following debt and contractual obligations beginning in fiscal year 2012-13 in addition to the prior defaults on the three debt obligations listed above:

- Certificates of Participation (Redevelopment Housing Projects) Series 2003A and Series 2003B
- City of Stockton 2007 Taxable Pension Obligation Bonds
- California Department of Boating & Waterways (Stockton Downtown Marina)
- Howard - Jarvis Settlement
- Marina Towers

Several City creditors challenged the City's eligibility to be a chapter 9 debtor shortly after the City filed its bankruptcy case. After a nearly nine month discovery and mediation process and three day trial, the Chief United States Bankruptcy Judge Christopher Klein ruled on April 1, 2014 that the City had negotiated in good faith prior to the filing of the case, was insolvent and was eligible for chapter 9 bankruptcy protection. Prior to the ruling, the City had reached agreement with all of its labor unions, with one bond insurer and with its retirees. Under the auspices of the court-appointed mediator, the City continued to discuss settlement with the remaining creditors following the eligibility trial. Tentative agreements were reached with the majority of the City's major creditors, and the settlements were incorporated into the City's proposed plan of adjustment (as amended), which was filed in the bankruptcy court on October 10, 2013. The plan of adjustment and the related disclosure statement were mailed to creditors in December 2013, and all classes of creditors voted to accept the plan.

However, one creditor, Franklin, filed an objection to the plan of adjustment, triggering extensive discovery and litigation relating to confirmation of the plan of adjustment.

The confirmation hearing conducted by Judge Klein in Sacramento, California, began on May 12, 2014. The four-day hearing that week was followed by another hearing on June 4, 2012.

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 18 – Chapter 9 Bankruptcy Settlements (Continued)**

Judge Klein conducted further hearings limited to argument of counsel on July 8 and October 1, 2014, and at a hearing on October 30, 2014, announced his decision to approve the plan of adjustment (as modified on August 8, 2014). On December 10, 2014, the bankruptcy court considered Franklin’s motion to prohibit the City from consummating the Plan until its appeal has been decided. The court also considered and rejected Franklin’s motion to amend its ruling on the amount of claims of former health benefit recipients. In February 2015, the bankruptcy court issued the final approval of the Plan and did not approve the stay sought by Franklin. Oral argument of the appeal by Franklin was heard in mid-November 2015, and the Bankruptcy Appellate Panel (BAP) dismissed Franklin's appeal on December 11, 2015.

The preliminary aggregate gain expected to occur by re-measuring liabilities subject to the approved Plan of Adjustment \$265,004,170, however, with an appeal outstanding it would not be determined that this will be final gain. The confirmed Plan of Adjustment does not entail termination of the City.

The City may file additional disclosure notices and reports that will update information concerning its general fund financial condition and Chapter 9 process with EMMA from time to time.

The full Plan of Adjustment and related bankruptcy filings can be found on the City's website at:  
<http://www.stocktongov.com/government/departments/manager/bankruptcy/default.html>

The City implemented the plan of adjustment and the following are the extraordinary items under GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies which classifies its gains or losses resulting from re-measurement of its liabilities and assets:

Bankruptcy Class	Description	Extraordinary Items
2	Stockton Public Financing Authority Lease Revenue Refunding Bonds, Series 2006 A (ESB)	\$ 33,327
3	Stockton Public Financing Authority Lease Revenue Refunding Bonds, Series 2004 Event Center (Redevelopment)	4,754,532
4	Stockton Public Financing Authority Lease Revenue Bonds, Series 2004 (Parking and Capital Projects)	7,764,378
5	Stockton Public Financing Authority Variable Rate Demand Lease Revenue Bonds, 2007 Series A and B (Building Acquisition Financing Report)	14,973,430
6	Stockton Public Financing Authority Taxable Pension Obligation Bonds, 2007 Series A and B	86,436,709
7	California Department of Boating & Waterways (Stockton Downtown Marina)	1,783,808
12	Stockton Public Financing Authority Lease Revenue Bonds, Series 2009A (Capital Improvement Projects, Retiree Health, and Leave Buyout)	147,762,075
14	Tort Claims	1,495,911
	Others:	
	WaMu	4,039,109
	Howard Jarvis Taxpayer Association	19,224,239
<b>Total:</b>		<b>\$ 288,267,518</b>

Gains on bankruptcy settlements are recorded in the accompanying financial statements as follows:

Governmental Activities	\$ 273,964,799
Business-type Activities	9,548,187
Fiduciary Fund	4,754,532
	<u>\$ 288,267,518</u>



**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 19 – Restricted Net Position**

At June 30, 2015, restricted net position consisted of the following:

	Governmental Activities	Business-Type Activities	Totals
Restricted:			
Capital projects	\$ 59,814,654	\$ 43,938,443	\$ 103,753,097
Debt service	2,985,463	12,582,516	15,567,979
Loan programs	6,224,473	-	6,224,473
Low and moderate-income housing	5,986,471	-	5,986,471
Public safety	3,455,438	-	3,455,438
Street improvements	10,104,674	-	10,104,674
Special assessment districts	14,304,862	-	14,304,862
Fleet and equipment replacement	25,572,004	-	25,572,004
Endowments and Bequests:			
Nonexpendable	358,885	-	358,885
Expendable	47,190	-	47,190
Other purposes	1,908,740	-	1,908,740
<b>Total restricted</b>	<b>\$ 130,762,854</b>	<b>\$ 56,520,959</b>	<b>\$ 187,283,813</b>

**Note 20 – Subsequent Events**

**A. Capital Lease Purchase of Three Fire Pumpers and One Ladder Truck**

On May 19, 2015, the City Council, on Resolution 2015-05-19-1212 authorized the purchase of three Fire Engines and one Ladder Truck from Rosenbauer American and to finance a portion of the purchase by entering a purchase Lease agreement with Western Alliance Bank. The lease agreement was finalized on August 6, 2015 and carries an interest rate of 3.90%, with payoff over ten years. Delivery of the vehicles is expected in late FY 2015-16.

**B. Bond Rating Changes**

On September 1, 2015 Standard and Poor's Moody's lowered the underlying rating on the Redevelopment Agency of the City of Stockton, 2004 Revenue Bonds (Stockton Events Center- Arena Project) from CC to D.

On September 28, 2015 Moody's upgraded the ratings on the Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A from Ba3 to Ba2.

On November 2, 2015, Standard & Poor's Ratings Services ("S&P") removed its underlying rating on the Redevelopment Agency of the City of Stockton, 2004 Revenue Bonds (Stockton Events Center- Arena Project).

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 20 – Subsequent Events (Continued)**

**C. *Defeasance Actions***

On September 2, 2015, The City and SPFA funded defeasance escrow accounts in accordance with the terms of escrow agreements entered into with the Escrow Agents for the below mentioned bonds. As of September 2, 2015, the October 1, 2015 payments of principal are considered defeased and no longer outstanding.

**Senior Lien Water Enterprise Fund Securities**

- California Statewide Communities Development Authority (CSCDA) Water and Wastewater Revenue Bonds (Pooled Financing Program), Series 2002A
- Stockton Public Financing Authority, Variable Rate Demand Water Revenue Bonds, Series 2010A (Delta Water Supply Project)

**Subordinate Lien Water Enterprise Fund Securities**

- Stockton Public Financing Authority, Water Revenue Bonds, Series 2009A (Delta Water Supply Project)

**D. *Enterprise Securities and Land Secured Obligations***

Repayment of the securities related to Enterprise and Land Secured/Redevelopment Obligations is not directly impacted by the City's general fund financial difficulties, its chapter 9 filing or the Court's ruling that it would confirm the Plan of Adjustment. The Enterprise Fund Securities are secured by payable from certain enterprise and special tax and assessment revenues, which are legally restricted and payable independently of funds available in the City's general fund.

The City's water and wastewater enterprise funds, from which obligations relating to the water and wastewater enterprise fund securities, respectively, are payable, have outstanding receivable established as a result of settlements reached in 2009 in connection with certain lawsuits. Such receivable are payable from the City's general fund. Since the City adopted its pendency plan on June 26, 2014, payments on the receivables have not been made. The City receivables are impaired in the Plan of Adjustments and upon its effectiveness the City will pay a portion of these receivables. Adjustment of the receivables will not affect the pledge of water enterprise revenues to payment of the City's obligations relating to these securities.

**E. *Securities and Exchange Commission's MCDC Initiative***

The Division of Enforcement of the U.S. Securities and Exchange Commission (the "Commission"), through the Municipalities Continuing Disclosure Cooperation Initiative (the "Initiative"), has provided an opportunity for issuers to contact them in regards to compliance failures in securities disclosures laws. The Initiative was intended to address what it believes may be widespread violations of the federal securities laws by municipal issuers and underwriters of municipal securities in connection with certain representations about continuing disclosures in bond offering documents.

The City has had an audit performed of its disclosure practices going back to 2004 in an effort to confirm areas of non-compliance. This audit brought to light what it believes to be minor failings in its disclosure obligations provided to bondholders through postings made through the Electronic Municipal Market Access (EMMA) site. These failings, for the most part, pertain to late filings of audited financial statements which are required to be made as part of the annual continuing disclosures on the City's various bond issuances. The lateness is due to annual audits not having been completed by the due dates required.

For more information on these and other matters related to the City's required bond disclosures please refer to current and future postings made by the City to the EMMA website at <http://emma.msrb.org/>

**City of Stockton**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 20 – Subsequent Events (Continued)**

**F. San Joaquin County Regional Fire Dispatch Joint Power Authority**

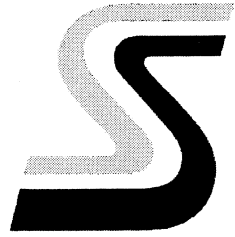
On January 1, 2016, the City of Stockton (Contractor) enters into an agreement with San Joaquin County Regional Fire Dispatch Joint Powers Authority (Authority). The Contractor shall provide emergency and non-emergency dispatch operations services and administrative services to the Authority and to the Members of the Authority, and those public and private entities who contract with the Authority for those services.

**Note 21 – Prior Period Adjustments**

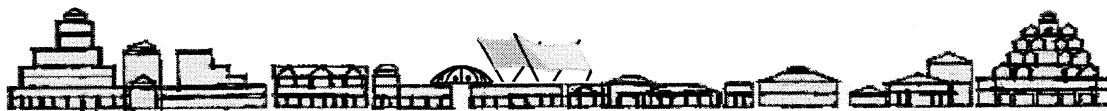
The City implemented GASB Statement No. 68 and No. 71 during the year ended June 30, 2015, accordingly, beginning net position at July 1, 2014 was restated as follows:

	<b>Government-Wide Financial Statements</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net Position at July 1, 2014	\$ 748,335,564	\$ 510,598,702
Net Pension Liabilities	(383,592,560)	(57,869,809)
Net Pension Assets	(107,812,401)	-
Deferred Outflows of Reserouces - Pension contribution made during measurement period	20,096,543	3,124,389
Net Changes	(471,308,418)	(54,745,420)
Net Position at July 1, 2014, as Restated	\$ 277,027,146	\$ 455,853,282





CITY OF STOCKTON



**REQUIRED SUPPLEMENTARY INFORMATION**

REQUIRED SUPPLEMENTARY  
INFORMATION



**City of Stockton**  
**Required Supplementary Information (Unaudited)**  
**For the Year Ended June 30, 2015**

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**Note 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.

*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.

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Budgetary Information (Continued)**

*Budget Basis of Accounting*

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)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 1 – Budgetary Information (Continued)**

*Budget Comparison Schedule – General Fund*

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 27,920,000	\$ 27,920,000	\$ 29,572,984	\$ 1,652,984
In lieu of sales tax	9,991,000	9,991,000	9,815,968	(175,032)
Utility user	32,287,200	32,287,200	32,920,823	633,623
Sales - levied by City	27,923,000	27,923,000	27,811,587	(111,413)
Franchise fees	12,012,000	12,012,000	12,379,843	367,843
Business license	9,230,584	9,230,584	9,662,882	432,298
Hotel/motel room	2,135,000	2,135,000	2,377,875	242,875
Document transfer	524,000	524,000	587,166	63,166
Other	343,000	343,000	930,090	587,090
Licenses and permits	383,810	383,810	392,299	8,489
Intergovernmental:				
Federal grants and subsidies	-	-	419,433	419,433
Sales and use tax - levied by state	31,437,000	31,607,800	32,799,150	1,191,350
Other governmental	25,167,509	25,167,509	26,139,820	972,311
Charges for services	9,874,346	9,442,493	9,904,917	462,424
Fines and forfeitures	2,135,849	2,135,849	3,750,794	1,614,945
Use of money and property	7,252,592	7,684,445	6,967,959	(716,486)
Investment income:				
Interest income	144,000	144,000	308,659	164,659
Refunds and reimbursements	2,016,452	2,016,452	3,519,941	1,503,489
Miscellaneous	4,576,558	4,619,558	2,390,675	(2,228,883)
Total revenues	205,353,900	205,567,700	212,652,865	7,085,165
<b>EXPENDITURES:</b>				
General government:				
City council	452,806	454,294	453,577	717
City manager	1,185,717	1,185,848	1,156,278	29,570
City attorney	1,077,773	971,273	838,621	132,652
City clerk	751,087	756,087	670,045	86,042
City auditor	808,084	1,209,520	644,743	564,777
Administrative services	4,676,179	4,339,452	3,732,641	606,811
Human resources	2,244,007	2,226,658	1,630,723	595,935
Housing	1,160,085	1,246,125	1,074,641	171,484
Non-departmental	14,872,955	21,281,745	12,940,837	8,340,908
Total general government	27,228,693	33,671,002	23,142,106	10,528,896

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 1 – Budgetary Information (Continued)**

*Budget Comparison Schedule – General Fund (Continued)*

	Budget		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Police	95,750,354	94,050,731	88,360,977	5,689,754
Fire	38,492,749	38,567,547	36,860,600	1,706,947
Total public safety	<u>134,243,103</u>	<u>132,618,278</u>	<u>125,221,577</u>	<u>7,396,701</u>
Public works	<u>3,145,045</u>	<u>3,244,800</u>	<u>2,988,963</u>	<u>255,837</u>
Library	<u>10,733,052</u>	<u>10,831,792</u>	<u>9,789,385</u>	<u>1,042,407</u>
Parks and recreation	<u>17,682,868</u>	<u>18,193,094</u>	<u>16,460,362</u>	<u>1,732,732</u>
Capital Outlay	<u>1,254,404</u>	<u>3,638,023</u>	<u>1,973,149</u>	<u>1,664,874</u>
Total expenditures	<u>194,287,165</u>	<u>202,196,989</u>	<u>179,575,542</u>	<u>22,621,447</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	<u>11,066,735</u>	<u>3,370,711</u>	<u>33,077,323</u>	<u>29,706,612</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	550,000	550,000	521,253	(28,747)
Transfers in	919,194	939,072	929,045	(10,027)
Transfers out	<u>(12,936,973)</u>	<u>(14,599,400)</u>	<u>(14,068,508)</u>	<u>530,892</u>
Total other financing sources (uses)	<u>(11,467,779)</u>	<u>(13,110,328)</u>	<u>(12,618,210)</u>	<u>492,118</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u>\$ (401,044)</u>	<u>\$ (9,739,617)</u>	20,459,113	<u>\$ 30,198,730</u>
BASIS ADJUSTMENT:				
Encumbrances (included in Final Budget above)			<u>(3,719,352) *</u>	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			16,739,761	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			<u>50,869,070</u>	
FUND BALANCE, END OF YEAR			<u>\$ 67,608,831</u>	

\* Adjusted to Budgetary Basis.

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 1 – Budgetary Information (Continued)**

*Budget Comparison Schedule – HOME Program Loans Special Revenue Fund*

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental:				
Federal grants and subsidies	\$ 1,954,019	\$ 2,798,782	\$ 2,575,129	\$ (223,653)
Use of money and property	150,000	150,000	192,325	42,325
Interest income	-	-	880	880
Total revenues	<u>2,104,019</u>	<u>2,948,782</u>	<u>2,768,334</u>	<u>(180,448)</u>
EXPENDITURES:				
Capital outlay	<u>2,104,019</u>	<u>3,953,782</u>	<u>2,456,526</u>	<u>1,497,256</u>
Total expenditures	<u>2,104,019</u>	<u>3,953,782</u>	<u>2,456,526</u>	<u>1,497,256</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES (GAAP BASIS)	<u>-</u>	<u>(1,005,000)</u>	<u>311,808</u>	<u>1,316,808</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u>\$ -</u>	<u>\$ (1,005,000)</u>	<u>311,808</u>	<u>\$ 1,316,808</u>
BASIS ADJUSTMENT:				
Encumbrances			<u>-</u>	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			311,808	
FUND BALANCE, BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE, END OF YEAR			<u>\$ 311,808</u>	

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 1 – Budgetary Information (Continued)**

*Budget Comparison Schedule – Low and Moderate Income Housing City Loans Special Revenue Fund*

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 7,587	\$ 7,587
Interest income	-	-	11,216	11,216
Miscellaneous	-	-	6,606,137	6,606,137
Total revenues	-	-	6,624,940	6,624,940
EXPENDITURES:				
General government	-	278,348	2,916,598	(2,638,250)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	278,348	2,916,598	(2,638,250)
DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	-	(278,348)	3,708,342	3,986,690
OTHER FINANCING SOURCES (USES):				
Transfers in	3,121,583	6,675,236	278,347	(6,396,889)
Transfers out	(3,121,583)	(3,772,720)	(1,131,026)	2,641,694
Total other financing sources (uses)	-	2,902,516	(852,679)	(3,755,195)
NET CHANGE IN FUND BALANCE (GAAP BASIS)	\$ -	\$ 2,624,168	2,855,663	\$ 231,495
BASIS ADJUSTMENT:				
Encumbrances			-	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			2,855,663	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			3,130,808	
FUND BALANCE, END OF YEAR			\$ 5,986,471	

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Defined Benefit Pension Plans**

*Schedule of Changes in the City's Net Pension Liability and Relations Ratios Last 10 Fiscal Years*

**Safety Plan:**

<b>Total pension liability</b>	
Service cost	\$ 13,907,523
Interest	65,730,714
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(47,761,534)
<b>Net change in total pension liability</b>	<u>31,876,703</u>
<b>Total pension liability - beginning</b>	<u>893,336,527</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 925,213,230</u></u>

**Plan fiduciary net position**

Contributions - employer	13,818,051
Contributions - employee	6,449,394
Net investment income	105,163,288
Benefit payments, including refunds of employee contributions	(47,761,534)
Administrative expense	-
Other	-
<b>Net change in plan fiduciary net position</b>	<u>\$ 77,669,199</u>

<b>Plan fiduciary net position - beginning</b>	<u>617,467,219</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>695,136,418</u></u>

<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 230,076,812</u></u>
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<b>Plan fiduciary net position as a percentage of the total pension liability</b>	75.13%
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<b>Covered - employee payroll</b>	\$ 45,422,701
<b>City's net pension liability as a percentage of covered employee payroll</b>	506.52%

**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, 2013. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Defined Benefit Pension Plans (Continued)**

*Schedule of Changes in the City's Net Pension Liability and Relations Ratios Last 10 Fiscal Years (Continued)*

**Miscellaneous Plan:**

<b>Total pension liability</b>	
Service cost	\$ 9,440,824
Interest	46,152,921
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(32,763,729)
<b>Net change in total pension liability</b>	<u>22,830,016</u>
<b>Total pension liability - beginning</b>	<u>627,033,727</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 649,863,743</u></u>

**Plan fiduciary net position**

Contributions - employer	9,402,881
Contributions - employee	3,761,959
Net investment income	79,512,728
Benefit payments, including refunds of employee contributions	(32,763,729)
Administrative expense	-
Other	-
<b>Net change in plan fiduciary net position</b>	<u>\$ 59,913,839</u>

<b>Plan fiduciary net position - beginning</b>	<u>465,703,750</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>525,617,589</u></u>

<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 124,246,154</u></u>
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<b>Plan fiduciary net position as a percentage of the total pension liability</b>	80.88%
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<b>Covered - employee payroll</b>	\$ 52,603,907
<b>City's net pension liability as a percentage of covered employee payroll</b>	236.19%

**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, 2013. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Defined Benefit Pension Plans (Continued)**

*Schedule of Changes in the City's Net Pension Liability and Relations Ratios Last 10 Fiscal Years (Continued)*

**Enhancement Plan**

<b>Total pension liability</b>	
Service cost	\$ 145,882
Interest	650,386
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(358,380)
<b>Net change in total pension liability</b>	<u>437,888</u>
<b>Total pension liability - beginning</b>	<u>9,321,510</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 9,759,398</u></u>

**Plan fiduciary net position**

Contributions - employer	751,157
Contributions - employee	-
Net investment income	124,454
Benefit payments, including refunds of employee contributions	(358,380)
Administrative expense	(966)
Other	-
<b>Net change in plan fiduciary net position</b>	<u>\$ 516,265</u>

<b>Plan fiduciary net position - beginning</b>	<u>5,058,426</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>5,574,691</u></u>

<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 4,184,707</u></u>
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<b>Plan fiduciary net position as a percentage of the total pension liability</b>	57.12%
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<b>Covered - employee payroll</b>	\$ 3,610,315
<b>City's net pension liability as a percentage of covered employee payroll</b>	115.91%

**Notes to Schedule:**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Defined Benefit Pension Plans (Continued)**

*Schedule of Changes in the City's Contributions Last 10 Fiscal Years*

**Safety Plan**

Actuarially determined contribution	\$	13,818,051
Contributions in relation to the actuarially determined contribution		(13,818,051)
Contribution deficiency (excess)	<u>\$</u>	<u>-</u>
<b>Covered - employee payroll</b>	<b>\$</b>	<b>45,422,701</b>
<b>City's Contributions as a percentage of covered employee payroll</b>		<b>30.42%</b>

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal.
Amortization method/Period	Varies, see June 30, 2011 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. Varies, see June 30, 2011 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 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.



**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

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**Note 2 – Defined Benefit Pension Plans (Continued)**

*Schedule of Changes in the City's Contributions Last 10 Fiscal Years (Continued)*

**Miscellaneous Plan**

Actuarially determined contribution	\$	9,402,881
Contributions in relation to the actuarially determined contribution		(9,402,881)
Contribution deficiency (excess)	<u>\$</u>	<u>-</u>
<b>Covered - employee payroll</b>	<b>\$</b>	<b>52,603,907</b>
<b>City's Contributions as a percentage of covered employee payroll</b>		<b>17.87%</b>

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Other information:

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal.
Amortization Method/Period	Varies, see June 30, 2011 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. Varies, see June 30, 2011 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 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**City of Stockton**  
**Required Supplementary Information (Unaudited)(Continued)**  
**For the Year Ended June 30, 2015**

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**Note 2 – Defined Benefit Pension Plans (Continued)**

*Schedule of Changes in the City's Contributions Last 10 Fiscal Years (Continued)*

**Enhancement Plan**

Actuarially determined contribution	\$	700,451
Contributions in relation to the actuarially determined contribution		(751,157)
Contribution deficiency (excess)	\$	<u>(50,706)</u>
 <b>Covered - employee payroll</b>	 \$	 3,610,315
<b>City's Contributions as a percentage of covered employee payroll</b>		20.81%

**Notes to Schedule:**

Valuation date: June 30, 2014

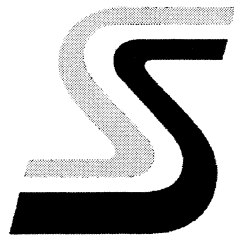
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Other information:

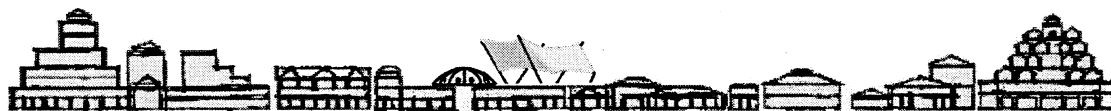
\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	13.67 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.
	Pre-retirement: CalPERS Miscellaneous Non-Industrial Rates.
Mortality	Post-retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex-disctict) projected using Scale AA and base year of 2008.



# CITY OF STOCKTON



**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 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 (CDBG) 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 (HERA) 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.

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

To account for the operations and maintenance of the tenant occupied City Administration Building at 400 E. Main Street. Tenants include private sector firms, governmental entities and various City of Stockton departments. This building is managed through a contractual agreement with an outside management firm.

#### ***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 Reuse Loan Program 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.

### **CAPITAL PROJECTS FUNDS**

Capital Projects 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, 2015**

ASSETS	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
<b>Assets:</b>				
Cash and investments	\$ 1,474,977	\$ 1,911,003	\$ 3,349,668	\$ 2,497,134
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	-	-	-	-
Accounts and other	101,703	53,339	-	-
Due from other governments, net	1,966,745	-	863,549	4,539,253
Prepaid items	-	808	18,375	-
Loans to property owners, net	-	-	-	-
<b>Total assets</b>	<b>\$ 3,543,425</b>	<b>\$ 1,965,150</b>	<b>\$ 4,231,592</b>	<b>\$ 7,036,387</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 503,431	\$ 11,786	\$ 572,425	\$ 89,563
Accrued payroll	187,007	40,709	165,373	15,386
Due to other governments	-	-	-	42,015
Deposits and other liabilities	-	3,915	-	-
Unearned revenue	2,447,415	-	-	278,543
<b>Total liabilities</b>	<b>3,137,853</b>	<b>56,410</b>	<b>737,798</b>	<b>425,507</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - Loans to property owners	-	-	-	-
Unavailable revenue - Other	-	-	-	-
<b>Total deferred inflows of resource</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	808	18,375	-
Restricted	405,572	1,907,932	3,475,419	6,610,880
<b>Total fund balances</b>	<b>405,572</b>	<b>1,908,740</b>	<b>3,493,794</b>	<b>6,610,880</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,543,425</b>	<b>\$ 1,965,150</b>	<b>\$ 4,231,592</b>	<b>\$ 7,036,387</b>

(Continued)

**City of Stockton**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2015**

ASSETS	Special Revenue			
	Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program
<b>Assets:</b>				
Cash and investments	\$ 1,599,585	\$ 14,199,153	\$ 1,126,002	\$ 495,116
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	-	-	-	-
Accounts and other	-	331	11,719	277
Due from other governments, net	1,827,097	-	237,522	128,592
Prepaid items	-	345,879	-	-
Loans to property owners, net	-	-	21,052,779	7,598,149
<b>Total assets</b>	<b>\$ 3,426,682</b>	<b>\$ 14,545,363</b>	<b>\$ 22,428,022</b>	<b>\$ 8,222,134</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 53,485	\$ 222,234	\$ 100,217	\$ 46,338
Accrued payroll	323,331	18,267	31,002	4,586
Due to other governments	-	-	6,959	-
Deposits and other liabilities	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>376,816</b>	<b>240,501</b>	<b>138,178</b>	<b>50,924</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - Loans to property owners	-	-	21,052,779	7,598,149
Unavailable revenue - Other	-	-	-	-
<b>Total deferred inflows of resource</b>	<b>-</b>	<b>-</b>	<b>21,052,779</b>	<b>7,598,149</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	3,049,866	14,304,862	1,237,065	573,061
<b>Total fund balances</b>	<b>3,049,866</b>	<b>14,304,862</b>	<b>1,237,065</b>	<b>573,061</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,426,682</b>	<b>\$ 14,545,363</b>	<b>\$ 22,428,022</b>	<b>\$ 8,222,134</b>

(Continued)



**City of Stockton**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2015**

ASSETS	Special Revenue			
	Housing Grants / Loans Program	City Administration Building	Development Services	CalHome Programs
<b>Assets:</b>				
Cash and investments	\$ 133,515	\$ -	\$ 6,229,084	\$ 227,824
Cash and investments with fiscal agents	1,260,252	-	-	-
Receivables, net:				
Interest	141	-	-	-
Accounts and other	-	-	620,253	674
Due from other governments, net	1,212,806	-	-	-
Prepaid items	-	-	4,037	-
Loans to property owners, net	-	-	-	3,560,908
<b>Total assets</b>	<b>\$ 2,606,714</b>	<b>\$ -</b>	<b>\$ 6,853,374</b>	<b>\$ 3,789,406</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 138,759	\$ 18,252
Accrued payroll	-	-	214,254	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	-	346,974	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>699,987</b>	<b>18,252</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - Loans to property owners	-	-	-	3,560,908
Unavailable revenue - Other	-	-	486,586	-
<b>Total deferred inflows of resource</b>	<b>-</b>	<b>-</b>	<b>486,586</b>	<b>3,560,908</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	4,037	-
Restricted	2,606,714	-	5,662,764	210,246
<b>Total fund balances</b>	<b>2,606,714</b>	<b>-</b>	<b>5,666,801</b>	<b>210,246</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,606,714</b>	<b>\$ -</b>	<b>\$ 6,853,374</b>	<b>\$ 3,789,406</b>

(Continued)

**City of Stockton**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2015**

ASSETS	Special Revenue		Capital Projects	Debt Service
	Other Special Revenue	Transportation Development Act	Public Facilities Impact Fees	Stockton Public Financing Authority
<b>Assets:</b>				
Cash and investments	\$ 1,377,428	\$ 276,642	\$ 35,882,655	\$ 2,089,902
Cash and investments with fiscal agents	-	-	-	895,557
Receivables, net:				
Interest	-	-	-	8
Accounts and other	-	-	155,305	-
Due from other governments, net	293	-	-	-
Prepaid items	-	-	11,107	-
Loans to property owners, net	-	-	-	-
<b>Total assets</b>	<b>\$ 1,377,721</b>	<b>\$ 276,642</b>	<b>\$ 36,049,067</b>	<b>\$ 2,985,467</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 89,469	\$ -	\$ 59,063	\$ 7,865
Accrued payroll	2,673	-	6,242	16,141
Due to other governments	-	-	-	-
Deposits and other liabilities	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>92,142</b>	<b>-</b>	<b>65,305</b>	<b>24,006</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - Loans to property owners	-	-	-	-
Unavailable revenue - Other	-	-	155,305	-
<b>Total deferred inflows of resource</b>	<b>-</b>	<b>-</b>	<b>155,305</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	1,285,579	276,642	35,828,457	2,961,461
<b>Total fund balances</b>	<b>1,285,579</b>	<b>276,642</b>	<b>35,828,457</b>	<b>2,961,461</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,377,721</b>	<b>\$ 276,642</b>	<b>\$ 36,049,067</b>	<b>\$ 2,985,467</b>

(Continued)

**City of Stockton**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2015**

	Permanent	
<b>ASSETS</b>	Miscellaneous	Totals
<b>Assets:</b>		
Cash and investments	\$ 406,075	\$ 73,275,763
Cash and investments with fiscal agents	-	2,155,809
Receivables, net:		
Interest	-	149
Accounts and other	-	943,601
Due from other governments, net	-	10,775,857
Prepaid items	-	380,206
Loans to property owners, net	-	32,211,836
<b>Total assets</b>	<b>\$ 406,075</b>	<b>\$ 119,743,221</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 1,912,887
Accrued payroll	-	1,024,971
Due to other governments	-	48,974
Deposits and other liabilities	-	350,889
Unearned revenue	-	2,725,958
<b>Total liabilities</b>	-	6,063,679
<b>Deferred inflows of resources:</b>		
Unavailable revenue - Loans to property owners	-	32,211,836
Unavailable revenue - Other	-	641,891
<b>Total deferred inflows of resource</b>	-	32,853,727
<b>Fund Balances:</b>		
Nonspendable	358,885	382,105
Restricted	47,190	80,443,710
<b>Total fund balances</b>	406,075	80,825,815
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 406,075</b>	<b>\$ 119,743,221</b>

(Concluded)



**City of Stockton**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
<b>REVENUES:</b>				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	3,354,813	-	-	-
Sales and use tax - levied by state	-	-	-	4,104,500
Other governmental	1,758,440	-	8,368,834	1,969,184
Charges for services	856,369	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Investment income:				
Interest income	5,850	16,519	15,889	68,936
Refunds and reimbursements	-	-	10,134	-
Miscellaneous	496,624	1,380,074	-	-
<b>Total revenues</b>	<b>6,472,096</b>	<b>1,396,593</b>	<b>8,394,857</b>	<b>6,142,620</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,028,194	-	-	-
Public safety	5,288,807	-	-	-
Public works	-	1,433,455	9,512,900	-
Library	85,715	-	-	-
Parks and recreation	-	-	75,522	-
Capital outlay	2,786	27,121	18,639	1,269,422
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>6,405,502</b>	<b>1,460,576</b>	<b>9,607,061</b>	<b>1,269,422</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>66,594</b>	<b>(63,983)</b>	<b>(1,212,204)</b>	<b>4,873,198</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	167,918	85	2,110,000	-
Transfers out	-	-	-	(4,175,310)
Bond insurers proceeds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>167,918</b>	<b>85</b>	<b>2,110,000</b>	<b>(4,175,310)</b>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements (Note 18)	-	-	-	-
<b>CHANGES IN FUND BALANCES</b>	<b>234,512</b>	<b>(63,898)</b>	<b>897,796</b>	<b>697,888</b>
<b>FUND BALANCES:</b>				
Beginning of year	171,060	1,972,638	2,595,998	5,912,992
End of year	<b>\$ 405,572</b>	<b>\$ 1,908,740</b>	<b>\$ 3,493,794</b>	<b>\$ 6,610,880</b>

(Continued)

**City of Stockton**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue			
	Measure W			Neighborhood
	Public Safety Tax	Special Assessments	CDBG Programs	Stabilization Loan Program
<b>REVENUES:</b>				
Taxes:				
Sales - levied by City	\$ 9,396,285	\$ -	\$ -	\$ -
Business licenses	-	1,141,729	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	-	-	3,806,707	829,042
Sales and use tax - levied by state	-	-	-	-
Other governmental	-	-	-	-
Charges for services	-	3,190,016	3,278	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	410,837	1,605,158
Investment income:				
Interest income	13,529	104,096	3,415	144
Refunds and reimbursements	-	-	-	-
Miscellaneous	-	-	1,000	-
<b>Total revenues</b>	<b>9,409,814</b>	<b>4,435,841</b>	<b>4,225,237</b>	<b>2,434,344</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	798,184	-	-
Public safety	9,031,930	-	-	-
Public works	-	216,856	-	-
Library	-	-	-	-
Parks and recreation	-	2,554,197	-	-
Capital outlay	319,226	-	2,037,865	2,416,496
Debt service:				
Principal retirement	-	-	1,335,000	-
Interest and fiscal charges	-	-	824,098	-
<b>Total expenditures</b>	<b>9,351,156</b>	<b>3,569,237</b>	<b>4,196,963</b>	<b>2,416,496</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>58,658</b>	<b>866,604</b>	<b>28,274</b>	<b>17,848</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	30,998	-	-
Transfers out	-	-	(165,448)	-
Bond insurers proceeds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>30,998</b>	<b>(165,448)</b>	<b>-</b>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements (Note 18)	-	-	-	-
<b>CHANGES IN FUND BALANCES</b>	<b>58,658</b>	<b>897,602</b>	<b>(137,174)</b>	<b>17,848</b>
<b>FUND BALANCES:</b>				
<b>Beginning of year</b>	<b>2,991,208</b>	<b>13,407,260</b>	<b>1,374,239</b>	<b>555,213</b>
<b>End of year</b>	<b>\$ 3,049,866</b>	<b>\$ 14,304,862</b>	<b>\$ 1,237,065</b>	<b>\$ 573,061</b>

(Continued)

**City of Stockton**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue			
	Housing Grants / Loans Program	City Administration Building	Development Services	CalHome Programs
<b>REVENUES:</b>				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Licenses and permits	-	-	3,948,905	-
Intergovernmental:				
Federal grants and subsidies	-	-	-	-
Sales and use tax - levied by state	-	-	-	-
Other governmental	-	-	13,525	97,645
Charges for services	-	-	4,415,834	-
Fines and forfeitures	-	-	63,211	-
Use of money and property	-	-	-	116,207
Investment income:				
Interest income	669	332	41,194	5,427
Refunds and reimbursements	-	-	70,389	-
Miscellaneous	-	-	226,920	-
<b>Total revenues</b>	<b>669</b>	<b>332</b>	<b>8,779,978</b>	<b>219,279</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	65,233	6,125,734	-
Public safety	-	-	1,549,990	-
Public works	-	-	-	-
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	555,127
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>65,233</b>	<b>7,675,724</b>	<b>555,127</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>669</b>	<b>(64,901)</b>	<b>1,104,254</b>	<b>(335,848)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	1,000,000	-
Transfers out	-	(19,878)	-	-
Bond insurers proceeds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(19,878)</b>	<b>1,000,000</b>	<b>-</b>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements (Note 18)	-	-	-	-
<b>CHANGES IN FUND BALANCES</b>	<b>669</b>	<b>(84,779)</b>	<b>2,104,254</b>	<b>(335,848)</b>
<b>FUND BALANCES:</b>				
Beginning of year	2,606,045	84,779	3,562,547	546,094
End of year	\$ 2,606,714	\$ -	\$ 5,666,801	\$ 210,246

(Continued)

**City of Stockton**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue		Capital Projects	Debt Service
	Other Special Revenue	Transportation Development Act	Public Facilities Impact Fees	Stockton Public Financing Authority
<b>REVENUES:</b>				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Licenses and permits	57,162	-	-	-
Intergovernmental:				
Federal grants and subsidies	2,537	-	-	-
Sales and use tax - levied by state	-	-	-	-
Other governmental	62,922	-	-	-
Charges for services	50,360	-	2,930,421	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	10,918	-
Investment income:				
Interest income	11,239	2,404	294,770	(1,016)
Refunds and reimbursements	5,400	-	-	-
Miscellaneous	334,366	-	-	-
<b>Total revenues</b>	<b>523,986</b>	<b>2,404</b>	<b>3,236,109</b>	<b>(1,016)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	150,210	-	-	422,993
Public safety	450,316	-	-	-
Public works	-	-	-	-
Library	4,488	-	-	-
Parks and recreation	4,116	-	-	-
Capital outlay	-	-	656,390	-
Debt service:				
Principal retirement	-	-	193,235	6,688,843
Interest and fiscal charges	-	-	-	2,404,528
<b>Total expenditures</b>	<b>609,130</b>	<b>-</b>	<b>849,625</b>	<b>9,516,364</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(85,144)</b>	<b>2,404</b>	<b>2,386,484</b>	<b>(9,517,380)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	6,900	6,103,023
Transfers out	-	(7,778)	(660,366)	-
Bond insurers proceeds	-	-	-	5,915,000
Payment to refunded bond escrow agent	-	-	-	(6,080,448)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(7,778)</b>	<b>(653,466)</b>	<b>5,937,575</b>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements (Note 18)	-	-	-	23,263,348
<b>CHANGES IN FUND BALANCES</b>	<b>(85,144)</b>	<b>(5,374)</b>	<b>1,733,018</b>	<b>19,683,543</b>
<b>FUND BALANCES:</b>				
<b>Beginning of year</b>	<b>1,370,723</b>	<b>282,016</b>	<b>34,095,439</b>	<b>(16,722,082)</b>
<b>End of year</b>	<b>\$ 1,285,579</b>	<b>\$ 276,642</b>	<b>\$ 35,828,457</b>	<b>\$ 2,961,461</b>

(Continued)



**City of Stockton**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Permanent	
	Miscellaneous	Totals
<b>REVENUES:</b>		
Taxes:		
Sales - levied by City	\$ -	\$ 9,396,285
Business licenses	-	1,141,729
Licenses and permits	-	4,006,067
Intergovernmental:		
Federal grants and subsidies	-	7,993,099
Sales and use tax - levied by state	-	4,104,500
Other governmental	-	12,270,550
Charges for services	-	11,446,278
Fines and forfeitures	-	63,211
Use of money and property	-	2,143,120
Investment income:		
Interest income	5,969	589,366
Refunds and reimbursements	-	85,923
Miscellaneous	-	2,438,984
<b>Total revenues</b>	<b>5,969</b>	<b>55,679,112</b>
<b>EXPENDITURES:</b>		
Current:		
General government	3,000	8,593,548
Public safety	-	16,321,043
Public works	-	11,163,211
Library	-	90,203
Parks and recreation	-	2,633,835
Capital outlay	-	7,303,072
Debt service:		
Principal retirement	-	8,217,078
Interest and fiscal charges	-	3,228,626
<b>Total expenditures</b>	<b>3,000</b>	<b>57,550,616</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,969</b>	<b>(1,871,504)</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	-	9,418,924
Transfers out	-	(5,028,780)
Bond insurers proceeds	-	5,915,000
Payment to refunded bond escrow agent	-	(6,080,448)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>4,224,696</b>
<b>EXTRAORDINARY ITEMS:</b>		
Gain on bankruptcy settlements (Note 18)	-	23,263,348
<b>CHANGES IN FUND BALANCES</b>	<b>2,969</b>	<b>25,616,540</b>
<b>FUND BALANCES:</b>		
<b>Beginning of year</b>	<b>403,106</b>	<b>55,209,275</b>
<b>End of year</b>	<b>\$ 406,075</b>	<b>\$ 80,825,815</b>

(Concluded)





CITY OF STOCKTON

NONMAJOR ENTERPRISE  
FUNDS



**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:

***Garden Refuse Enterprise Fund***

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

***Downtown Marina Enterprise Fund***

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

***Golf Courses Enterprise Fund***

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



**City of Stockton**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2015**

	Garden Refuse	Downtown Marina	Golf Courses	Total
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ -	\$ 247,610	\$ 261,703	\$ 509,313
Receivables, net:				
Interest	-	-	-	-
Accounts and other receivables	-	22,236	-	22,236
Prepaid items	-	7,258	1,512	8,770
Inventory of supplies	-	-	46,816	46,816
<b>Total current assets</b>	<b>-</b>	<b>277,104</b>	<b>310,031</b>	<b>587,135</b>
<b>Noncurrent assets:</b>				
Capital assets, net:				
Nondepreciable	-	-	359,805	359,805
Depreciable, net	-	24,429,215	721,954	25,151,169
Total capital assets, net	-	24,429,215	1,081,759	25,510,974
<b>Total noncurrent assets</b>	<b>-</b>	<b>24,429,215</b>	<b>1,081,759</b>	<b>25,510,974</b>
<b>Total assets</b>	<b>-</b>	<b>24,706,319</b>	<b>1,391,790</b>	<b>26,098,109</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	-	21,406	89,464	110,870
Accrued payroll	-	-	1,838	1,838
Deposits and other liabilities	-	32,208	74,486	106,694
Due to other governments	-	-	1,039	1,039
<b>Total current liabilities</b>	<b>-</b>	<b>53,614</b>	<b>166,827</b>	<b>220,441</b>
<b>Noncurrent liabilities:</b>				
Notes payable	-	10,870,821	-	10,870,821
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>10,870,821</b>	<b>-</b>	<b>10,870,821</b>
<b>Total liabilities</b>	<b>-</b>	<b>10,924,435</b>	<b>166,827</b>	<b>11,091,262</b>
<b>NET POSITION</b>				
Net investment in capital assets	-	13,558,394	1,081,759	14,640,153
Unrestricted	-	223,490	143,204	366,694
<b>Total net position</b>	<b>\$ -</b>	<b>\$ 13,781,884</b>	<b>\$ 1,224,963</b>	<b>\$ 15,006,847</b>

**City of Stockton**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2015**

	Garden Refuse	Downtown Marina	Golf Courses	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ -	\$ 234,636	\$ 858,315	\$ 1,092,951
Miscellaneous	2	3,247	672,711	675,960
<b>Total operating revenues</b>	<b>2</b>	<b>237,883</b>	<b>1,531,026</b>	<b>1,768,911</b>
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	(83)	363,326	2,045,002	2,408,245
General and administrative	-	4,515	-	4,515
Depreciation and amortization	-	535,441	75,885	611,326
<b>Total operating expenses</b>	<b>(83)</b>	<b>903,282</b>	<b>2,120,887</b>	<b>3,024,086</b>
<b>OPERATING INCOME (LOSS)</b>	<b>85</b>	<b>(665,399)</b>	<b>(589,861)</b>	<b>(1,255,175)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income:				
Interest income	-	1,546	(9,549)	(8,003)
Interest expense and fiscal charges	-	(350,487)	-	(350,487)
<b>Total non-operating revenues (expenses)</b>	<b>-</b>	<b>(348,941)</b>	<b>(9,549)</b>	<b>(358,490)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>85</b>	<b>(1,014,340)</b>	<b>(599,410)</b>	<b>(1,613,665)</b>
<b>TRANSFERS:</b>				
Transfers in	-	215,000	450,000	665,000
Transfers out	(85)	-	-	(85)
<b>Total transfers</b>	<b>(85)</b>	<b>215,000</b>	<b>450,000</b>	<b>664,915</b>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements (Note 18)	-	1,783,808	-	1,783,808
<b>CHANGES IN NET POSITION</b>	<b>-</b>	<b>984,468</b>	<b>(149,410)</b>	<b>835,058</b>
<b>NET POSITION:</b>				
<b>Beginning of year</b>	<b>-</b>	<b>12,797,416</b>	<b>1,374,373</b>	<b>14,171,789</b>
<b>End of year</b>	<b>\$ -</b>	<b>\$ 13,781,884</b>	<b>\$ 1,224,963</b>	<b>\$ 15,006,847</b>



**City of Stockton**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2015**

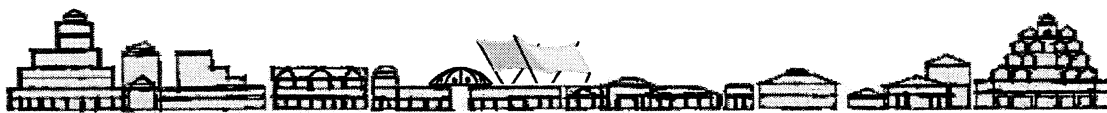
	Garden Refuse	Downtown Marina	Golf Courses	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 2	\$ 222,193	\$ 1,542,263	\$ 1,764,458
Payments to suppliers	83	151,438	(2,075,785)	(1,924,264)
Payments to employees	-	(539,078)	(33,743)	(572,821)
<b>Net cash provided by (used in) operating activities</b>	<b>85</b>	<b>(165,447)</b>	<b>(567,265)</b>	<b>(732,627)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	215,000	450,000	665,000
Transfers out	(85)	-	-	(85)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(85)</b>	<b>215,000</b>	<b>450,000</b>	<b>664,915</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	-	1,546	(9,549)	(8,003)
<b>Net cash provided by (used in) investing activities</b>	<b>-</b>	<b>1,546</b>	<b>(9,549)</b>	<b>(8,003)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>51,099</b>	<b>(126,814)</b>	<b>(75,715)</b>
<b>CASH AND CASH EQUIVALENTS</b>				
<b>Beginning of year</b>	<b>-</b>	<b>196,511</b>	<b>388,517</b>	<b>585,028</b>
<b>End of year</b>	<b>\$ -</b>	<b>\$ 247,610</b>	<b>\$ 261,703</b>	<b>\$ 509,313</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 85	\$ (665,399)	\$ (589,861)	\$ (1,255,175)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	535,441	75,885	611,326
Changes in assets and liabilities:				
Accounts and other receivables	-	(7,552)	1,906	(5,646)
Prepays	-	(1,131)	11,560	10,429
Inventory of supplies	-	-	4,737	4,737
Accounts payable	-	(18,668)	(78,164)	(96,832)
Accrued payroll	-	-	1,838	1,838
Due to other governments	-	-	240	240
Deposits and other liabilities	-	(8,138)	4,594	(3,544)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 85</b>	<b>\$ (165,447)</b>	<b>\$ (567,265)</b>	<b>\$ (732,627)</b>
<b>NONCASH TRANSACTIONS:</b>				
Interest forgiveness	\$ -	\$ 1,783,808	\$ -	\$ 1,783,808





CITY OF STOCKTON

INTERNAL SERVICE  
FUNDS



**INTERNAL SERVICE FUNDS**



## **INTERNAL SERVICE FUNDS**

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

The City's internal service funds include:

### ***General Liability Insurance Fund***

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

### ***Workers' Compensation Insurance Fund***

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

### ***Employee 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, 2015**

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ 12,864,865	\$ 24,775,960	\$ 11,364,805	\$ 3,580,219
Receivables, net:				
Accounts and other receivables	558,972	252	86,004	-
Deposits and advances	-	-	1,159,000	-
Prepaid items	10,509	-	-	-
<b>Total current assets</b>	<u>13,434,346</u>	<u>24,776,212</u>	<u>12,609,809</u>	<u>3,580,219</u>
<b>Noncurrent assets:</b>				
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	4
Capital assets, net	-	-	-	-
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
<b>Total assets</b>	<u>13,434,346</u>	<u>24,776,212</u>	<u>12,609,809</u>	<u>3,580,223</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	90,076	7,409	71,969	-
Accrued payroll	36,063	17,036	25,242	989
Deposits and other liabilities	-	49,104	-	-
Accrued interest	-	-	-	-
Capital lease obligations - current	-	-	-	-
Compensated absences - current	12,266	8,064	11,079	-
Self-insurance claims and judgments - current	5,089,068	8,970,000	745,900	-
<b>Total current liabilities</b>	<u>5,227,473</u>	<u>9,051,613</u>	<u>854,190</u>	<u>989</u>
<b>Noncurrent liabilities:</b>				
Loans from other funds	-	500,000	-	-
Compensated absences - long-term	5,202	-	13,910	-
Self-insurance claims and judgments - long-term	3,602,886	46,419,000	-	-
Capital lease obligations - long term	-	-	-	-
<b>Total noncurrent liabilities</b>	<u>3,608,088</u>	<u>46,919,000</u>	<u>13,910</u>	<u>-</u>
<b>Total liabilities</b>	<u>8,835,561</u>	<u>55,970,613</u>	<u>868,100</u>	<u>989</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred rent	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	-	-	-
Restricted for fleet and equipment replacement	-	-	-	-
Restricted for debt service	-	-	-	4
Unrestricted (deficits)	4,598,785	(31,194,401)	11,741,709	3,579,230
<b>Total net position</b>	<u>\$ 4,598,785</u>	<u>\$ (31,194,401)</u>	<u>\$ 11,741,709</u>	<u>\$ 3,579,234</u>

**City of Stockton**  
**Combining Statement of Net Position**  
**Internal Service Funds (Continued)**  
**June 30, 2015**

	Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ 3,294,425	\$ 5,190,200	\$ 17,797,114	\$ 1,883,892
Receivables, net:				
Accounts and other receivables	-	30,097	-	-
Deposits and advances	-	-	-	-
Prepaid items	-	-	497,185	1,175
<b>Total current assets</b>	<u>3,294,425</u>	<u>5,220,297</u>	<u>18,294,299</u>	<u>1,885,067</u>
<b>Noncurrent assets:</b>				
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Capital assets, net	-	13,163,189	1,057,891	786,536
<b>Total noncurrent assets</b>	<u>-</u>	<u>13,163,189</u>	<u>1,057,891</u>	<u>786,536</u>
<b>Total assets</b>	<u>3,294,425</u>	<u>18,383,486</u>	<u>19,352,190</u>	<u>2,671,603</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	43,172	756,065	522,379	39,406
Accrued payroll	-	135,337	160,365	4,827
Deposits and other liabilities	-	-	-	-
Accrued interest	-	38,155	-	-
Capital lease obligations - current	-	236,972	-	-
Compensated absences - current	108,156	84,914	167,412	1,816
Self-insurance claims and judgments - current	-	-	-	-
<b>Total current liabilities</b>	<u>151,328</u>	<u>1,251,443</u>	<u>850,156</u>	<u>46,049</u>
<b>Noncurrent liabilities:</b>				
Loans from other funds	-	-	-	-
Compensated absences - long-term	-	35,722	81,002	-
Self-insurance claims and judgments - long-term	-	-	-	-
Capital lease obligations - long term	-	1,648,286	-	-
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>1,684,008</u>	<u>81,002</u>	<u>-</u>
<b>Total liabilities</b>	<u>151,328</u>	<u>2,935,451</u>	<u>931,158</u>	<u>46,049</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred rent	-	-	35,559	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>35,559</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	11,277,931	1,057,891	786,536
Restricted for fleet and equipment replacement	-	4,170,104	17,327,582	1,839,018
Restricted for debt service	-	-	-	-
Unrestricted (deficits)	3,143,097	-	-	-
<b>Total net position</b>	<u>\$ 3,143,097</u>	<u>\$ 15,448,035</u>	<u>\$ 18,385,473</u>	<u>\$ 2,625,554</u>

**City of Stockton**  
**Combining Statement of Net Position**  
**Internal Service Funds (Continued)**  
**June 30, 2015**

	Other Equipment	Total	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 2,328,941	\$ 83,080,421	
Receivables, net:			
Accounts and other receivables	290	675,615	
Deposits and advances	-	1,159,000	
Prepaid items	44,998	553,867	
<b>Total current assets</b>	<b>2,374,229</b>	<b>85,468,903</b>	
<b>Noncurrent assets:</b>			
Restricted assets:			
Cash and investments with fiscal agents	-	4	
Capital assets, net	166,182	15,173,798	
<b>Total noncurrent assets</b>	<b>166,182</b>	<b>15,173,802</b>	
<b>Total assets</b>	<b>2,540,411</b>	<b>100,642,705</b>	
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	111,922	1,642,398	
Accrued payroll	13,077	392,936	
Deposits and other liabilities	-	49,104	
Accrued interest	-	38,155	
Capital lease obligations - current	-	236,972	
Compensated absences - current	11,237	404,944	
Self-insurance claims and judgments - current	-	14,804,968	
<b>Total current liabilities</b>	<b>136,236</b>	<b>17,569,477</b>	
<b>Noncurrent liabilities:</b>			
Loans from other funds	-	500,000	
Compensated absences - long-term	2,693	138,529	
Self-insurance claims and judgments - long-term	-	50,021,886	
Capital lease obligations - long term	-	1,648,286	
<b>Total noncurrent liabilities</b>	<b>2,693</b>	<b>52,308,701</b>	
<b>Total liabilities</b>	<b>138,929</b>	<b>69,878,178</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred rent	-	35,559	
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>35,559</b>	
<b>NET POSITION</b>			
Net investment in capital assets	166,182	13,288,540	
Restricted for fleet and equipment replacement	2,235,300	25,572,004	
Restricted for debt service	-	4	
Unrestricted (deficits)	-	(8,131,580)	
<b>Total net position</b>	<b>\$ 2,401,482</b>	<b>\$ 30,728,968</b>	



**City of Stockton**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2015**

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 6,366,498	\$ 13,097,803	\$ 19,713,531	\$ 39,600,766
Miscellaneous	108	-	-	-
<b>Total operating revenues</b>	<u>6,366,606</u>	<u>13,097,803</u>	<u>19,713,531</u>	<u>39,600,766</u>
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	1,271,584	5,076,565	10,980,679	37,482,174
General and administrative	1,129,505	1,993,279	837,233	-
Depreciation and amortization	-	-	-	-
<b>Total operating expenses</b>	<u>2,401,089</u>	<u>7,069,844</u>	<u>11,817,912</u>	<u>37,482,174</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,965,517</u>	<u>6,027,959</u>	<u>7,895,619</u>	<u>2,118,592</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Federal grants and subsidies	-	-	-	-
Investment income:				
Interest income	101,472	182,094	78,465	39,035
Gain from disposal of capital assets	-	-	-	-
Interest expense and fiscal charges	-	-	-	(2,368,652)
Other non-operating revenues	-	-	290,929	-
<b>Total non-operating revenues (expenses)</b>	<u>101,472</u>	<u>182,094</u>	<u>369,394</u>	<u>(2,329,617)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	4,066,989	6,210,053	8,265,013	(211,025)
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(3,398,604)
<b>Total capital contributions and transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,398,604)</u>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements	1,495,911	-	118,495,275	143,120,679
<b>CHANGES IN NET POSITION</b>	<u>5,562,900</u>	<u>6,210,053</u>	<u>126,760,288</u>	<u>139,511,050</u>
<b>NET POSITION:</b>				
Beginning of year, as previously reported	(964,115)	(37,404,454)	(115,018,579)	(28,119,415)
Prior period adjustments	-	-	-	(107,812,401)
Beginning of year, as restated	<u>(964,115)</u>	<u>(37,404,454)</u>	<u>(115,018,579)</u>	<u>(135,931,816)</u>
End of year	<u>\$ 4,598,785</u>	<u>\$ (31,194,401)</u>	<u>\$ 11,741,709</u>	<u>\$ 3,579,234</u>

**City of Stockton**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds (Continued)**  
**For the Year Ended June 30, 2015**

	Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,386,890	\$ 9,520,735	\$ 10,793,305	\$ 1,130,441
Miscellaneous	-	-	-	-
<b>Total operating revenues</b>	<b>1,386,890</b>	<b>9,520,735</b>	<b>10,793,305</b>	<b>1,130,441</b>
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	1,470,095	5,707,067	8,027,721	1,204,123
General and administrative	-	1,463,260	-	-
Depreciation and amortization	-	2,674,046	443,146	131,527
<b>Total operating expenses</b>	<b>1,470,095</b>	<b>9,844,373</b>	<b>8,470,867</b>	<b>1,335,650</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(83,205)</b>	<b>(323,638)</b>	<b>2,322,438</b>	<b>(205,209)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Federal grants and subsidies	-	-	-	-
Investment income:				
Interest income	28,143	41,409	118,902	12,979
Gain from disposal of capital assets	-	133,146	-	-
Interest expense and fiscal charges	-	(67,949)	-	-
Other non-operating revenues	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>28,143</b>	<b>106,606</b>	<b>118,902</b>	<b>12,979</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(55,062)</b>	<b>(217,032)</b>	<b>2,441,340</b>	<b>(192,230)</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contributions	-	1,151,140	-	321,392
Transfers in	-	920,717	5,236,000	1,000,000
Transfers out	-	-	-	-
<b>Total capital contributions and transfers</b>	<b>-</b>	<b>2,071,857</b>	<b>5,236,000</b>	<b>1,321,392</b>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on bankruptcy settlements	-	-	-	-
<b>CHANGES IN NET POSITION</b>	<b>(55,062)</b>	<b>1,854,825</b>	<b>7,677,340</b>	<b>1,129,162</b>
<b>NET POSITION:</b>				
Beginning of year, as previously reported	3,198,159	13,593,210	10,708,133	1,496,392
Prior period adjustments	-	-	-	-
Beginning of year, as restated	3,198,159	13,593,210	10,708,133	1,496,392
End of year	<b>\$ 3,143,097</b>	<b>\$ 15,448,035</b>	<b>\$ 18,385,473</b>	<b>\$ 2,625,554</b>

**City of Stockton**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds (Continued)**  
**For the Year Ended June 30, 2015**

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	Other Equipment	Total
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 2,144,907	\$ 103,754,876
Miscellaneous	-	108
<b>Total operating revenues</b>	2,144,907	103,754,984
<b>OPERATING EXPENSES:</b>		
Operation and maintenance	1,475,083	72,695,091
General and administrative	-	5,423,277
Depreciation and amortization	92,571	3,341,290
<b>Total operating expenses</b>	1,567,654	81,459,658
<b>OPERATING INCOME (LOSS)</b>	577,253	22,295,326
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Federal grants and subsidies	-	-
Investment income:		
Interest income	14,037	616,536
Gain from disposal of capital assets	-	133,146
Interest expense and fiscal charges	(1,217)	(2,437,818)
Other non-operating revenues	-	290,929
<b>Total non-operating revenues (expenses)</b>	12,820	(1,397,207)
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	590,073	20,898,119
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>		
Capital contributions	-	1,472,532
Transfers in	-	7,156,717
Transfers out	-	(3,398,604)
<b>Total capital contributions and transfers</b>	-	5,230,645
<b>EXTRAORDINARY ITEMS:</b>		
Gain on bankruptcy settlements	-	263,111,865
<b>CHANGES IN NET POSITION</b>	590,073	289,240,629
<b>NET POSITION:</b>		
Beginning of year, as previously reported	1,811,409	(150,699,260)
Prior period adjustments	-	(107,812,401)
Beginning of year, as restated	1,811,409	(258,511,661)
End of year	\$ 2,401,482	\$ 30,728,968

**City of Stockton**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For The Year Ended June 30, 2015**

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 7,299,413	\$ 13,101,443	\$ 19,772,348	\$ 39,600,766
Receipts for interfund services provided	-	-	290,929	-
Payments to suppliers	(2,592,636)	(7,405,634)	(16,881,012)	(37,458,255)
Payments to employees	(972,511)	(402,882)	(656,630)	(24,429)
<b>Net cash provided by (used in) operating activities</b>	<u>3,734,266</u>	<u>5,292,927</u>	<u>2,525,635</u>	<u>2,118,082</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(3,398,604)
Federal grants and subsidies	-	-	-	-
Principal paid on pension obligation debt	-	-	-	-
Interest paid on pension obligation debt	-	-	-	-
Due from other funds	-	2,685,755	-	-
Due to other funds	-	-	-	-
Advances to other funds	499,277	-	-	-
Advances received from other funds	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>499,277</u>	<u>2,685,755</u>	<u>-</u>	<u>(3,398,604)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sales of capital assets	-	-	-	-
Purchases of capital assets	-	-	-	-
Proceeds from debt	-	-	-	-
Principal paid on debt	-	-	-	-
Interest paid on debt	-	-	-	-
<b>Net cash used for capital and related financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	<u>101,472</u>	<u>182,094</u>	<u>78,465</u>	<u>39,035</u>
<b>Net cash provided by investing activities</b>	<u>101,472</u>	<u>182,094</u>	<u>78,465</u>	<u>39,035</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,335,015	8,160,776	2,604,100	(1,241,487)
<b>CASH AND CASH EQUIVALENTS:</b>				
<b>Beginning of year</b>	<u>8,529,850</u>	<u>16,615,184</u>	<u>8,760,705</u>	<u>4,821,710</u>
<b>End of year</b>	<u>\$ 12,864,865</u>	<u>\$ 24,775,960</u>	<u>\$ 11,364,805</u>	<u>\$ 3,580,223</u>

**City of Stockton**  
**Combining Statement of Cash Flows**  
**Internal Service Funds (Continued)**  
**For The Year Ended June 30, 2015**

	Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 1,386,890	\$ 9,491,495	\$ 10,874,827	\$ 1,129,266
Receipts for interfund services provided	-	-	-	-
Payments to suppliers	(779,590)	(3,829,690)	(3,828,633)	(1,059,294)
Payments to employees	(866,182)	(2,915,901)	(3,871,794)	(166,601)
<b>Net cash provided by (used in) operating activities</b>	<b>(258,882)</b>	<b>2,745,904</b>	<b>3,174,400</b>	<b>(96,629)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	920,717	5,236,000	1,000,000
Transfers out	-	-	-	-
Federal grants and subsidies	-	-	-	-
Principal paid on pension obligation debt	-	-	-	-
Interest paid on pension obligation debt	-	-	-	-
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Advances to other funds	-	-	-	-
Advances received from other funds	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>920,717</b>	<b>5,236,000</b>	<b>1,000,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sales of capital assets	-	142,382	-	-
Purchases of capital assets	-	(3,052,617)	(169,203)	130,442
Proceeds from debt	-	1,871,404	-	-
Principal paid on debt	-	(2,100,433)	-	-
Interest paid on debt	-	(72,726)	-	-
<b>Net cash used for capital and related financing activities</b>	<b>-</b>	<b>(3,211,990)</b>	<b>(169,203)</b>	<b>130,442</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	28,143	41,409	118,902	12,979
<b>Net cash provided by investing activities</b>	<b>28,143</b>	<b>41,409</b>	<b>118,902</b>	<b>12,979</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(230,739)</b>	<b>496,040</b>	<b>8,360,099</b>	<b>1,046,792</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
<b>Beginning of year</b>	<b>3,525,164</b>	<b>4,694,160</b>	<b>9,437,015</b>	<b>837,100</b>
<b>End of year</b>	<b>\$ 3,294,425</b>	<b>\$ 5,190,200</b>	<b>\$ 17,797,114</b>	<b>\$ 1,883,892</b>

**City of Stockton**  
**Combining Statement of Cash Flows**  
**Internal Service Funds (Continued)**  
**For The Year Ended June 30, 2015**

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	Other Equipment	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 2,151,425	\$ 104,807,873
Receipts for interfund services provided	-	290,929
Payments to suppliers	(1,049,942)	(74,884,686)
Payments to employees	(374,497)	(10,251,427)
<b>Net cash provided by (used in) operating activities</b>	<b>726,986</b>	<b>19,962,689</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in	-	7,156,717
Transfers out	-	(3,398,604)
Federal grants and subsidies	-	-
Principal paid on pension obligation debt	-	-
Interest paid on pension obligation debt	-	-
Due from other funds	-	2,685,755
Due to other funds	-	-
Advances to other funds	-	499,277
Advances received from other funds	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>6,943,145</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from sales of capital assets	-	142,382
Purchases of capital assets	(24,225)	(3,115,603)
Proceeds from debt	-	1,871,404
Principal paid on debt	(310,663)	(2,411,096)
Interest paid on debt	(14,337)	(87,063)
<b>Net cash used for capital and related financing activities</b>	<b>(349,225)</b>	<b>(3,599,976)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment earnings	14,037	616,536
<b>Net cash provided by investing activities</b>	<b>14,037</b>	<b>616,536</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>391,798</b>	<b>23,922,394</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>Beginning of year</b>	<b>1,937,143</b>	<b>59,158,031</b>
<b>End of year</b>	<b>\$ 2,328,941</b>	<b>\$ 83,080,425</b>

**City of Stockton**  
**Combining Statement of Cash Flows**  
**Internal Service Funds (Continued)**  
**For The Year Ended June 30, 2015**

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance	Retirement Benefits
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>(LOSS) TO NET CASH PROVIDED BY (USED</b>				
<b>FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 3,965,517	\$ 6,027,959	\$ 7,895,619	\$ 2,118,592
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	-	-	-	-
Prior period adjustments	-	-	-	-
Extraordinary gain/(loss)	1,495,911	-	118,495,275	-
Loss of disposal of capital assets	-	-	-	-
Other non-operating revenues	-	-	290,929	-
Changes in assets and liabilities:				
Accounts and other receivables	943,316	3	58,817	-
Prepaid expenses	(10,509)	3,637	-	-
Deposits and advances	-	-	-	-
Deferred rent	-	-	-	-
Accounts payable	85,323	(61,059)	41,233	(1,499)
Accrued payroll	36,063	17,036	25,242	989
Compensated absences	9,030	(7,649)	(15,756)	-
Self-insurance - claims and judgments	(2,790,385)	(687,000)	(608,200)	-
Net OPEB obligation	-	-	(123,657,524)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,734,266</b>	<b>\$ 5,292,927</b>	<b>\$ 2,525,635</b>	<b>\$ 2,118,082</b>
<b>NONCASH TRANSACTIONS:</b>				
Transfer of capital assets from other funds	\$ -	\$ -	\$ -	\$ -
Prepaid cost of issuance expense	-	-	-	394,305
Debt forgiveness	1,495,911	-	118,495,275	143,120,679
Elimination of Net Pension Assets	-	-	-	107,812,401

**City of Stockton**  
**Combining Statement of Cash Flows**  
**Internal Service Funds (Continued)**  
**For The Year Ended June 30, 2015**

	Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>(LOSS) TO NET CASH PROVIDED BY (USED</b>				
<b>FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (83,205)	\$ (323,638)	\$ 2,322,438	\$ (205,209)
Adjustments to reconcile operating income				
(loss) to net cash provided by (used for)				
operating activities:				
Depreciation and amortization	-	2,674,046	443,146	131,527
Prior period adjustments	-	-	-	-
Extraordinary gain/(loss)	-	-	-	-
Loss of disposal of capital assets	-	(9,236)	-	-
Other non-operating revenues	-	-	-	-
Changes in assets and liabilities:				
Accounts and other receivables	-	(29,240)	-	-
Prepaid expenses	-	-	(30,146)	(1,175)
Deposits and advances	-	-	111,668	-
Deferred rent	-	-	35,559	-
Accounts payable	12,585	287,140	127,916	(18,559)
Accrued payroll	-	135,337	160,365	4,827
Compensated absences	(188,262)	11,495	3,454	(8,040)
Self-insurance - claims and judgments	-	-	-	-
Net OPEB obligation	-	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (258,882)</b>	<b>\$ 2,745,904</b>	<b>\$ 3,174,400</b>	<b>\$ (96,629)</b>
<b>NONCASH TRANSACTIONS:</b>				
Transfer of capital assets from other funds	\$ -	\$ 1,151,140	\$ -	\$ 321,392
Prepaid cost of issuance expense	-	-	-	-
Debt forgiveness	-	-	-	-
Elimination of Net Pension Assets	-	-	-	-

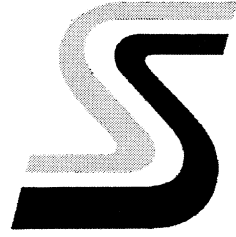


**City of Stockton**  
**Combining Statement of Cash Flows**  
**Internal Service Funds (Continued)**  
**For The Year Ended June 30, 2015**

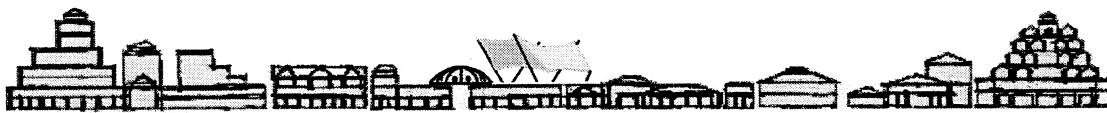
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	Other Equipment	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 577,253	\$ 22,295,326
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	92,571	3,341,290
Prior period adjustments	-	-
Extraordinary gain/(loss)	-	119,991,186
Loss of disposal of capital assets	-	(9,236)
Other non-operating revenues	-	290,929
Changes in assets and liabilities:		
Accounts and other receivables	-	972,896
Prepaid expenses	6,518	(31,675)
Deposits and advances	-	111,668
Deferred rent	-	35,559
Accounts payable	32,443	505,523
Accrued payroll	13,078	392,937
Compensated absences	5,123	(190,605)
Self-insurance - claims and judgments	-	(4,085,585)
Net OPEB obligation	-	(123,657,524)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 726,986</b>	<b>\$ 19,962,689</b>
 <b>NONCASH TRANSACTIONS:</b>		
Transfer of capital assets from other funds	\$ -	\$ 1,472,532
Prepaid cost of issuance expense	-	394,305
Debt forgiveness	-	263,111,865
Elimination of Net Pension Assets	-	107,812,401





CITY OF STOCKTON



**AGENCY FUNDS**

AGENCY FUNDS



## **AGENCY FUNDS**

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

The City's agency funds include:

### ***Land Secured Financing Agency Fund***

To account for special taxes or assessment collections from property owners that are authorized under various public improvement acts of the State of California. The City acts only as an agent and forwards collections to bondholders and 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, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b><u>LAND SECURED FINANCING</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 31,866,026	\$ 13,251,955	\$ (19,936,748)	\$ 25,181,233
Cash and investments with fiscal agents	16,655,501	40,852,613	(44,639,280)	12,868,834
Receivables:				
Interest	19,751	13,359	(19,752)	13,358
Accounts and other receivables	31,103	-	-	31,103
Prepaid items	-	1,131	-	1,131
<b>Total assets</b>	<b>\$ 48,572,381</b>	<b>\$ 54,119,058</b>	<b>\$ (64,595,780)</b>	<b>\$ 38,095,659</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,881	\$ 52,993	\$ (54,874)	\$ -
Deposits and other liabilities	48,570,500	39,927,467	(50,402,308)	38,095,659
<b>Total liabilities</b>	<b>\$ 48,572,381</b>	<b>\$ 39,980,460</b>	<b>\$ (50,457,182)</b>	<b>\$ 38,095,659</b>
<b><u>AREA OF BENEFIT FEES</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 13,889,316	\$ 507,514	\$ (12,355)	\$ 14,384,475
<b>Total assets</b>	<b>\$ 13,889,316</b>	<b>\$ 507,514</b>	<b>\$ (12,355)</b>	<b>\$ 14,384,475</b>
<b>Liabilities:</b>				
Deposits and other liabilities	\$ 13,889,316	\$ 627,042	\$ (131,883)	\$ 14,384,475
<b>Total liabilities</b>	<b>\$ 13,889,316</b>	<b>\$ 627,042</b>	<b>\$ (131,883)</b>	<b>\$ 14,384,475</b>
<b><u>PUBLIC FACILITIES FEES</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 289,053	\$ 1,194,174	\$ (987,758)	\$ 495,469
<b>Total assets</b>	<b>\$ 289,053</b>	<b>\$ 1,194,174</b>	<b>\$ (987,758)</b>	<b>\$ 495,469</b>
<b>Liabilities:</b>				
Accounts payable	\$ 288,278	\$ 1,193,748	\$ (987,518)	\$ 494,508
Due to other governments	775	1,195,664	(1,195,478)	961
<b>Total liabilities</b>	<b>\$ 289,053</b>	<b>\$ 2,389,412</b>	<b>\$ (2,182,996)</b>	<b>\$ 495,469</b>

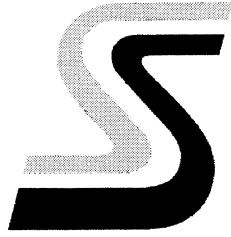
**City of Stockton**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds (Continued)**  
**For The Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b><u>MISCELLANEOUS</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 4,996,659	\$ 24,210,441	\$ (23,965,075)	\$ 5,242,025
Receivables:				
Accounts and other receivables	1,337,959	14,229,841	(14,116,333)	1,451,467
<b>Total assets</b>	<b>\$ 6,334,618</b>	<b>\$ 38,440,282</b>	<b>\$ (38,081,408)</b>	<b>\$ 6,693,492</b>
<b>Liabilities:</b>				
Accounts payable	\$ 58,558	\$ 533,257	\$ (573,053)	\$ 18,762
Due to other governments	72,112	358,382	(355,585)	74,909
Deposits and other liabilities	6,203,948	24,021,186	(23,625,313)	6,599,821
<b>Total liabilities</b>	<b>\$ 6,334,618</b>	<b>\$ 24,912,825</b>	<b>\$ (24,553,951)</b>	<b>\$ 6,693,492</b>
<b><u>ALL OTHER</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 158,173	\$ 119,542	\$ (171,535)	\$ 106,180
Receivables:				
Accounts and other receivables	1,291	-	(1,291)	-
Due from other governments	-	416	-	416
<b>Total assets</b>	<b>\$ 159,464</b>	<b>\$ 119,958</b>	<b>\$ (172,826)</b>	<b>\$ 106,596</b>
<b>Liabilities:</b>				
Accounts payable	\$ 2,816	\$ 157,111	\$ (136,445)	\$ 23,482
Deposits and other liabilities	156,648	120,722	(194,256)	83,114
<b>Total liabilities</b>	<b>\$ 159,464</b>	<b>\$ 277,833</b>	<b>\$ (330,701)</b>	<b>\$ 106,596</b>
<b><u>TOTAL</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 51,199,226	\$ 39,283,626	\$ (45,073,471)	\$ 45,409,381
Cash and investments with fiscal agents	16,655,501	40,852,613	(44,639,280)	12,868,834
Receivables:				
Interest	19,751	13,359	(19,752)	13,358
Accounts and other receivables	1,370,353	14,229,841	(14,117,624)	1,482,570
Due from other governments	-	416	-	416
Prepaid items	-	1,131	-	1,131
<b>Total assets</b>	<b>\$ 69,244,831</b>	<b>\$ 94,380,986</b>	<b>\$ (103,850,127)</b>	<b>\$ 59,775,690</b>
<b>Liabilities:</b>				
Accounts payable	\$ 351,532	\$ 1,937,109	\$ (1,751,890)	\$ 536,751
Due to other governments	72,887	1,554,046	(1,551,063)	75,870
Deposits and other liabilities	68,820,412	64,696,417	(74,353,760)	59,163,069
<b>Total liabilities</b>	<b>\$ 69,244,831</b>	<b>\$ 68,187,572</b>	<b>\$ (77,656,713)</b>	<b>\$ 59,775,690</b>

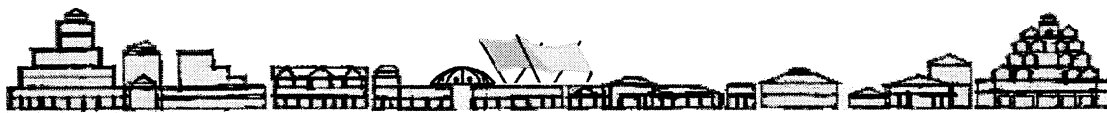
**City of Stockton**  
**Measures A and B**  
**Schedule of Sources and Uses**  
**For the Year Ended June 30, 2015**

	Final Budget	Year End Actual	Variance With Final Budget
<b>SOURCES / REVENUES:</b>			
Measure A Transaction and Use Tax	\$ 27,923,000	\$ 27,811,587	\$ 111,413
<b>Total Revenues</b>	<u>27,923,000</u>	<u>27,811,587</u>	<u>111,413</u>
<b>USES / EXPENDITURES:</b>			
<b>Police:</b>			
Salary & Benefits			
Sworn (40)	4,650,323	1,718,905	2,931,418
Non-Sworn (22)	1,465,235	741,613	723,622
Vacancy Savings	(1,612,286)	-	(1,612,286)
Other Services	691,811	396,961	294,850
Materials & Supplies			
Fuel	186,000	3,935	182,065
Other Supplies	212,266	258,183	(45,917)
Equipment			
Office Equipment	78,756	26,125	52,631
Radios (39)	390,389	375,873	14,516
Vehicles (39)	1,309,990	1,102,228	207,762
Other Expenses			
Training	260,843	233,567	27,276
	<u>7,633,327</u>	<u>4,857,390</u>	<u>2,775,937</u>
<b>Office of Violence Prevention:</b>			
Salary & Benefits			
Non-Sworn (7)	370,555	77,520	293,035
Other Services	279,531	128,698	150,833
Materials & Supplies			
Fuel	12,000	-	12,000
Other Supplies	10,000	1,334	8,666
Equipment			
Office Equipment	17,500	-	17,500
Radios (39)	27,600	2,380	25,220
Vehicles (39)	75,000	-	75,000
Other Expenses	399	-	399
	<u>792,585</u>	<u>209,932</u>	<u>582,653</u>
<b>Basis Adjustment:</b>			
Encumbrances (Included in Final Budget)	-	484,676	(484,676)
<b>Total Measure B Expenditures</b>	<u>8,425,912</u>	<u>5,551,998</u>	<u>2,873,914</u>
<b>Measure B Expenditures as a % of Annual Measure A Revenues</b>	<b>30%</b>	<b>20%</b>	
<b>Other City Services:</b>			
Administration Overhead	287,000	230,096	56,904
Mission Critical Projects:			
Implementation of Strategic Priorities	200,000	200,000	-
Public Safety Radios	1,000,000	1,000,000	-
LED Lighting Project Phase I	1,200,000	1,200,000	-
Information Technology Projects	5,236,000	5,236,000	-
Purchasing Improvements	164,000	132,129	31,871
Economic Dev. Implementation - ULI	100,000	21,000	79,000
Marketing/Communications Plan	100,000	-	100,000
General Fund Available Fund Balance	11,210,088	14,209,583	(2,999,495)
<b>Basis Adjustment</b>			
Encumbrances (Included in Final Budget)	-	30,781	(30,781)
	<u>19,497,088</u>	<u>22,259,589</u>	<u>(2,762,501)</u>
<b>Total Uses / Expenditures</b>	<u>\$ 27,923,000</u>	<u>\$ 27,811,587</u>	<u>\$ 111,413</u>





CITY OF STOCKTON



**STATISTICAL SECTION**

STATISTICAL SECTION



## STATISTICAL SECTION

The Statistical Section provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends Information</b> .....	184
Helps readers understand how the City's financial position and well-being have changed over time.	
<b>Revenue Capacity Information</b> .....	197
Helps readers understand and assess the City's ability to generate its own sources of revenue, the most significant local revenue source being property tax.	
<b>Debt Capacity Information</b> .....	203
Helps readers understand and assess the City's current level of outstanding debt and its ability to issue additional debt.	
<b>Demographic and Economic Information</b> .....	211
Helps readers understand the socioeconomic environment within which the City's financial activities take place, and provides information to facilitate comparisons of financial statement information over time and among other governments.	
<b>Operating Information</b> .....	213
Information about the City's operations and resources to help readers use financial information to understand and assess the related services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 326,823	\$ 714,595	\$ 725,426	\$ 703,266	\$ 645,249
Restricted	130,763	96,596	93,905	84,099	122,730
Unrestricted	160,224	(62,855)	(82,351)	(114,859)	(169,356)
<b>Total governmental activities net position</b>	<b>617,810</b>	<b>748,336</b>	<b>736,980</b>	<b>672,506</b>	<b>598,623</b>
<b>Business-type activities:</b>					
Net investment in capital assets	379,853	413,783	418,881	432,082	414,066
Restricted	56,521	54,175	56,589	27,976	33,558
Unrestricted	28,751	42,641	38,380	54,340	61,172
<b>Total business-type activities net position</b>	<b>465,125</b>	<b>510,599</b>	<b>513,850</b>	<b>514,398</b>	<b>508,796</b>
<b>Primary government:</b>					
Net investment in capital assets	706,676	1,128,378	1,144,307	1,135,348	1,059,315
Restricted	187,284	150,771	150,494	112,075	156,288
Unrestricted	188,975	(20,214)	(43,971)	(60,519)	(108,184)
<b>Total primary government net position</b>	<b>\$ 1,082,935</b>	<b>\$ 1,258,935</b>	<b>\$ 1,250,830</b>	<b>\$ 1,186,904</b>	<b>\$ 1,107,419</b>

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

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

Source: City of Stockton Department of Administrative Services

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

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 612,914	\$ 611,775	\$ 594,070	\$ 636,838	\$ 603,068
Restricted	188,655	162,363	172,088	161,995	154,758
Unrestricted	(139,549)	(66,091)	(21,053)	(338)	(8,497)
<b>Total governmental activities net position</b>	<b>662,020</b>	<b>708,047</b>	<b>745,105</b>	<b>798,495</b>	<b>749,329</b>
<b>Business-type activities:</b>					
Net investment in capital assets	402,215	400,551	399,813	387,198	368,222
Restricted	30,751	35,408	39,568	46,850	48,454
Unrestricted	41,442	42,449	39,138	32,645	30,465
<b>Total business-type activities net position</b>	<b>474,408</b>	<b>478,408</b>	<b>478,519</b>	<b>466,693</b>	<b>447,141</b>
<b>Primary government:</b>					
Net investment in capital assets	1,015,129	1,012,326	993,883	1,024,036	971,290
Restricted	219,406	197,771	211,656	208,845	203,212
Unrestricted	(98,107)	(23,642)	18,085	32,307	21,968
<b>Total primary government net position</b>	<b>\$ 1,136,428</b>	<b>\$ 1,186,455</b>	<b>\$ 1,223,624</b>	<b>\$ 1,265,188</b>	<b>\$ 1,196,470</b>

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

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

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				
	2015	2014	2013	2012	2011
<b>Expenses</b>					
Governmental activities:					
General government	\$ 35,576	\$ 34,594	\$ 24,909	\$ 41,548	\$ 40,873
Public safety	123,403	124,806	108,931	154,230	182,582
Public works	37,685	51,942	49,259	34,635	48,826
Library	9,098	9,807	8,445	10,176	11,589
Parks and recreation	20,801	19,456	19,736	20,760	24,435
Interest and fiscal charges	3,401	14,486	14,615	20,529	19,274
Total governmental activities	<u>229,964</u>	<u>255,091</u>	<u>225,895</u>	<u>281,878</u>	<u>327,579</u>
Business-type activities:					
Water utility	47,474	44,720	48,570	30,162	35,909
Wastewater utility	56,153	55,724	51,166	51,530	49,234
Stormwater utility	7,084	5,758	5,959	6,685	7,406
Parking Authority	5,026	5,120	4,944	4,903	4,264
Other	3,374	3,448	2,939	3,750	3,517
Total business-type activities	<u>119,111</u>	<u>114,770</u>	<u>113,578</u>	<u>97,030</u>	<u>100,330</u>
Total expenses	<u>349,075</u>	<u>369,861</u>	<u>339,473</u>	<u>378,908</u>	<u>427,909</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	15,169	14,785	17,977	15,342	17,079
Public safety	16,863	21,016	18,130	15,002	16,765
Public works	6,105	5,178	6,136	6,255	15,005
Library	441	437	670	719	593
Parks and recreation	6,145	5,655	6,597	6,037	7,353
Operating grants and contributions	18,823	18,840	23,827	20,460	22,355
Capital grants and contributions	34,268	36,052	57,146	54,487	50,112
Total governmental activities	<u>97,814</u>	<u>101,963</u>	<u>130,483</u>	<u>118,302</u>	<u>129,262</u>
Business-type activities:					
Charges for services:					
Water utility	35,059	37,855	37,464	33,308	30,056
Wastewater utility	65,726	59,953	55,369	50,324	42,598
Stormwater utility	5,569	5,571	5,503	5,888	5,879
Parking Authority	4,170	2,882	2,669	3,487	3,585
Other	1,769	1,870	1,934	2,071	1,852
Operating grants and contributions	5,133	3,865	4,175	4,175	4,175
Capital grants and contributions	2,945	1,112	4,700	10,139	15,960
Total business-type activities	<u>120,371</u>	<u>113,108</u>	<u>111,814</u>	<u>109,392</u>	<u>104,105</u>
Total program revenues	<u>218,185</u>	<u>215,071</u>	<u>242,297</u>	<u>227,694</u>	<u>233,367</u>
<b>Change in Net Position</b>					
Governmental activities	(132,150)	(153,128)	(95,412)	(163,576)	(198,317)
Business-type activities	1,260	(1,662)	(1,764)	12,362	3,775
Total primary government	<u>\$ (130,890)</u>	<u>\$ (154,790)</u>	<u>\$ (97,176)</u>	<u>\$ (151,214)</u>	<u>\$ (194,542)</u>

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

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>Expenses</b>					
Governmental activities:					
General government	\$ 30,765	\$ 33,923	\$ 27,819	\$ 26,517	\$ 20,171
Public safety	187,647	190,692	181,187	161,895	149,512
Public works	56,416	43,985	134,737	59,897	36,481
Library	12,767	14,852	14,723	13,261	13,545
Parks and recreation	22,309	26,038	33,138	27,429	26,352
Interest and fiscal charges	20,430	19,620	17,921	11,746	4,136
Total governmental activities	<u>330,334</u>	<u>329,110</u>	<u>409,525</u>	<u>300,745</u>	<u>250,197</u>
Business-type activities:					
Water utility	28,856	24,146	22,070	21,750	19,063
Wastewater utility	45,958	49,414	40,045	42,084	36,458
Stormwater utility	7,842	8,129	6,696	7,219	6,009
Parking Authority	4,616	4,810	5,002	4,238	3,162
Other	2,394	2,237	2,093	2,057	2,460
Total business-type activities	<u>89,666</u>	<u>88,736</u>	<u>75,906</u>	<u>77,348</u>	<u>67,152</u>
Total expenses	<u>420,000</u>	<u>417,846</u>	<u>485,431</u>	<u>378,093</u>	<u>317,349</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	11,387	13,180	12,141	8,429	10,154
Public safety	18,812	22,131	30,738	32,447	37,603
Public works	17,755	19,750	30,429	21,140	35,054
Library	504	4,800	1,462	1,105	1,489
Parks and recreation	6,464	2,104	9,741	9,957	12,407
Operating grants and contributions	17,251	16,051	10,352	11,065	12,388
Capital grants and contributions	40,661	33,112	43,874	83,238	45,745
Total governmental activities	<u>112,834</u>	<u>111,128</u>	<u>138,737</u>	<u>167,381</u>	<u>154,840</u>
Business-type activities:					
Charges for services:					
Water utility	25,775	24,258	22,882	23,092	20,268
Wastewater utility	37,271	35,607	33,661	33,099	32,746
Stormwater utility	5,655	5,498	6,160	5,088	5,063
Parking Authority	3,672	3,934	3,815	3,474	3,502
Other	1,701	-	-	-	-
Operating grants and contributions	2,482	1,845	2,065	1,988	2,284
Capital grants and contributions	4,917	4,409	13,251	23,721	20,324
Total business-type activities	<u>81,473</u>	<u>75,551</u>	<u>81,834</u>	<u>90,462</u>	<u>84,187</u>
Total program revenues	<u>194,307</u>	<u>186,679</u>	<u>220,571</u>	<u>257,843</u>	<u>239,027</u>
<b>Change in Net Position</b>					
Governmental activities	(217,500)	(217,982)	(270,788)	(133,364)	(95,357)
Business-type activities	(8,193)	(13,185)	5,928	13,114	17,035
Total primary government	<u>\$ (225,693)</u>	<u>\$ (231,167)</u>	<u>\$ (264,860)</u>	<u>\$ (120,250)</u>	<u>\$ (78,322)</u>

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

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>General Revenues and Other</b>					
<b>Change in Net Position:</b>					
Governmental activities:					
Taxes:					
Property	\$ 29,573	\$ 28,015	\$ 29,420	\$ 32,772	\$ 41,051
In lieu of sales tax	9,816	9,706	9,938	8,392	8,118
Utility user	32,921	32,370	31,941	31,505	30,994
Sales - levied by City (1)	37,208	15,536	9,086	8,576	7,875
Franchise fees	12,379	11,981	11,677	12,465	11,503
Business licenses	10,805	10,392	10,153	9,873	9,855
Hotel/motel room	2,378	2,080	2,006	1,933	1,799
Document transfer	587	564	458	603	583
Special assessments	-	-	-	-	-
Other	930	728	287	159	155
Shared revenue:					
Vehicle license fees	19,602	18,069	17,433	17,734	20,014
Sales and use tax levied by state (1)	36,904	35,111	34,031	32,604	30,061
Other	49	253	400	-	352
Investment earnings	1,532	1,128	123	2,802	1,620
Gain on sale of capital assets	(13,214)	(3,712)	(1)	-	-
Miscellaneous	16,982	3,042	2,411	974	1,083
Special item	-	-	-	-	3,270
Proceeds of long-term debt	23,396	-	-	-	-
Extraordinary items	250,701	-	-	75,350	-
Transfers	383	1,330	524	1,718	542
<b>Total governmental activities</b>	<b>472,932</b>	<b>166,593</b>	<b>159,887</b>	<b>237,460</b>	<b>168,875</b>
Business-type activities:					
Other taxes	974	1,166	1,197	1,205	1,152
Grants and contributions not restricted to	-	-	-	-	-
Investment earnings	1,172	1,448	530	1,865	3,176
Gain on sale of capital assets	(3,300)	-	-	-	-
Miscellaneous	-	431	14	(18,012)	-
Special item	-	-	-	-	-
Transfers	(383)	(1,330)	(524)	(1,718)	(542)
Extraordinary items (3)	9,548	-	-	-	-
<b>Total business-type activities</b>	<b>8,011</b>	<b>1,715</b>	<b>1,217</b>	<b>(16,660)</b>	<b>3,786</b>
<b>Total general revenues and other changes in net assets</b>	<b>480,943</b>	<b>168,308</b>	<b>161,104</b>	<b>220,800</b>	<b>172,661</b>
<b>Change in Net Position</b>					
Governmental activities	340,782	13,465	64,475	73,884	(29,442)
Business-type activities	9,273	53	(547)	(4,298)	7,561
<b>Total primary government</b>	<b>\$ 350,055</b>	<b>\$ 13,518</b>	<b>\$ 63,928</b>	<b>\$ 69,586</b>	<b>\$ (21,881)</b>

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

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

(2) In FY 2010-11 Net Assets were restated for prior period restatements for the Government activities and Business-type activities. See financial statement footnote #15 prior period restatements for more information.

(3) In FY 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, Continued**  
**Changes in Net Position, Continued**  
**Last Ten Fiscal Years**  
**(Dollar amounts in thousands)**

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>General Revenues and Other</b>					
<b>Change in Net Position:</b>					
Governmental activities:					
Taxes:					
Property	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015	\$ 47,495
In lieu of sales tax	7,087	9,823	10,164	11,070	9,274
Utility user	30,717	30,854	30,861	30,101	34,313
Sales - levied by City (1)	7,652	7,921	9,409	9,249	9,941
Franchise fees	11,354	11,608	11,537	10,817	10,333
Business licenses	9,717	9,699	10,772	10,285	11,222
Hotel/motel room	1,749	1,962	2,287	2,180	2,171
Document transfer	559	702	686	1,187	2,010
Special assessments	-	-	-	-	-
Other	203	234	246	257	218
Shared revenue:					
Vehicle license fees	20,468	23,459	24,051	22,661	18,173
Sales and use tax levied by state (1)	28,856	31,245	36,098	36,745	42,063
Other	361	370	389	384	456
Investment earnings	5,927	13,104	15,007	11,436	3,457
Gain on sale of capital assets	8	127	88	-	-
Miscellaneous	172	722	756	786	1,010
Special item	(288)	(8,736)	-	-	-
Proceeds of long-term debt	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Transfers	1,382	803	1,049	516	7,903
<b>Total governmental activities</b>	<b>171,473</b>	<b>192,537</b>	<b>217,398</b>	<b>207,689</b>	<b>200,039</b>
Business-type activities:					
Other taxes	1,095	1,066	1,055	981	713
Grants and contributions not restricted to	-	-	-	-	-
Investment earnings	4,192	4,075	5,892	5,973	3,399
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Special item	288	8,736	-	-	-
Transfers	(1,382)	(803)	(1,049)	(516)	(7,903)
Extraordinary items (3)	-	-	-	-	-
<b>Total business-type activities</b>	<b>4,193</b>	<b>13,074</b>	<b>5,898</b>	<b>6,438</b>	<b>(3,791)</b>
<b>Total general revenues and other changes in net assets</b>	<b>175,666</b>	<b>205,611</b>	<b>223,296</b>	<b>214,127</b>	<b>196,248</b>
<b>Change in Net Position</b>					
Governmental activities	(46,027)	(25,445)	(53,390)	74,325	104,682
Business-type activities	(4,000)	(111)	11,826	19,552	13,244
<b>Total primary government</b>	<b>\$ (50,027)</b>	<b>\$ (25,556)</b>	<b>\$ (41,564)</b>	<b>\$ 93,877</b>	<b>\$ 117,926</b>

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

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

(2) In FY 2010-11 Net Assets were restated for prior period restatements for the Government activities and Business-type activities. See financial statement footnote #15 prior period restatements for more information.

(3) In FY 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 810	\$ 500	\$ 409	\$ 355	\$ 317	\$ 13,466	\$ -	\$ -	\$ -	\$ -
Restricted	2,949	3,551	2,334	2,100	2,100	2,100	-	-	-	-
Committed	28,930	34,008	23,775	8,070	5,081	1,851	-	-	-	-
Assigned	-	3,059	1,710	4,111	4,758	5,730	-	-	-	-
Unassigned	38,639	9,751	3,093	-	-	-	-	-	-	-
Total General Fund	71,328	50,869	31,321	14,636	12,256	23,147	-	-	-	-
All other governmental funds										
Nonspendable	382	443	369	370	304	1,604	-	-	-	-
Restricted	104,785	81,435	75,157	83,636	115,700	228,190	-	-	-	-
Committed	-	-	-	-	-	67,466	-	-	-	-
Assigned	-	-	-	-	-	1,815	-	-	-	-
Unassigned	-	(20,669)	(18,793)	(18,775)	(15,017)	(63,475)	-	-	-	-
Total all other governmental funds	105,167	61,209	56,733	65,231	100,987	235,600	-	-	-	-
Total Fund Balance	\$ 176,495	\$ 112,078	\$ 88,054	\$ 79,867	\$ 113,243	\$ 258,747	\$ -	\$ -	\$ -	\$ -

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,175	\$ 13,498	\$ 13,231	\$ 8,352
Unreserved	-	-	-	-	-	-	8,607	9,627	15,761	23,116
Total General Fund	-	-	-	-	-	-	22,782	23,125	28,992	31,468
All other governmental funds										
Reserved	-	-	-	-	-	-	285,941	289,368	298,541	197,170
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	6,417	24,677	3,986	(20,727)
Debt service funds	-	-	-	-	-	-	-	38	(196)	(213)
Capital projects funds	-	-	-	-	-	-	(53,248)	(25,307)	(27,899)	(26,296)
Permanent Fund	-	-	-	-	-	-	358	333	297	252
Total all other governmental funds	-	-	-	-	-	-	239,468	289,109	274,729	150,186
Total Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,250	\$ 312,234	\$ 303,721	\$ 181,654

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.

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

Source: City of Stockton Department of Administrative Services

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

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Revenues:</b>					
Taxes:					
Property	\$ 29,573	\$ 28,014	\$ 29,420	\$ 32,772	\$ 41,051
In lieu of sales tax	9,816	9,706	9,938	8,392	8,118
Utility user	32,921	32,369	31,941	31,505	30,994
Sales (levied by City) (1)	37,208	15,536	9,086	8,576	7,875
Franchise fees	12,380	11,981	11,677	12,465	11,503
Business license	10,805	10,392	10,153	9,873	9,855
Hotel/motel room	2,378	2,080	2,006	1,933	1,799
Document transfer	587	565	458	603	583
Other	930	728	287	159	155
Licenses and permits	4,398	3,808	3,696	4,024	3,584
Federal grants and subsidies	21,796	22,453	23,158	19,927	33,244
Other shared revenue (sales and use tax levied by state) (1)	36,904	35,111	34,031	32,604	30,061
Other governmental	41,806	47,951	71,746	66,985	47,929
Charges for services	21,351	19,410	19,059	21,655	21,262
Fines and forfeitures	3,814	2,925	2,419	2,792	3,538
Use of money and property	9,318	9,536	13,767	11,848	14,966
Investment income:					
Interest income	916	650	119	2,367	1,339
Refunds and reimbursements	12,710	2,401	1,814	3,213	9,790
Miscellaneous	16,674	7,707	6,942	6,088	7,594
<b>Total revenues</b>	<b>306,285</b>	<b>263,323</b>	<b>281,717</b>	<b>277,781</b>	<b>285,240</b>
<b>Expenditures:</b>					
Current:					
General government	34,652	25,510	23,245	22,742	30,900
Public safety	141,542	129,030	125,331	139,047	152,527
Public works	14,152	14,458	13,498	13,989	13,528
Library	9,880	9,793	9,039	9,537	10,252
Parks and recreation	19,094	17,202	17,733	16,887	19,669
Capital outlay	31,345	43,273	72,568	68,005	66,975
Debt service:					
Principal retirement	8,217	9,589	9,013	5,883	22,661
Cost of issuance	-	-	-	-	-
Interest and fiscal charges	3,229	4,661	5,957	13,531	12,706
<b>Total expenditures</b>	<b>262,111</b>	<b>253,516</b>	<b>276,384</b>	<b>289,621</b>	<b>329,218</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 44,174	\$ 9,807	\$ 5,333	\$ (11,840)	\$ (43,978)

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

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>Revenues:</b>					
Taxes:					
Property	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015	\$ 47,495
In lieu of sales tax	7,087	9,823	10,164	11,070	9,274
Utility user	30,717	30,854	30,861	30,101	34,313
Sales (levied by City) (1)	7,652	7,921	9,409	9,249	9,941
Franchise fees	11,354	11,608	11,537	10,817	10,333
Business license	9,717	9,699	10,772	10,285	11,222
Hotel/motel room	1,749	1,962	2,287	2,180	2,171
Document transfer	559	702	686	1,187	2,010
Other	203	234	246	257	218
Licenses and permits	4,257	4,335	5,273	6,777	8,960
Federal grants and subsidies	26,034	12,976	13,617	26,532	21,529
Other shared revenue (sales and use tax levied by state) (1)	28,856	31,245	36,098	36,745	42,063
Other governmental	47,779	53,498	59,976	63,064	52,402
Charges for services	26,174	31,462	55,244	51,739	66,443
Fines and forfeitures	5,090	4,499	3,321	3,323	3,933
Use of money and property	11,962	13,234	12,922	9,709	6,274
Investment income:					
Interest income	5,352	11,375	13,100	9,789	2,831
Refunds and reimbursements	5,186	4,113	4,253	8,199	8,284
Miscellaneous	8,449	13,429	8,515	9,163	8,707
<b>Total revenues</b>	<b>283,726</b>	<b>311,609</b>	<b>352,279</b>	<b>360,201</b>	<b>348,403</b>
<b>Expenditures:</b>					
Current:					
General government	21,818	24,272	22,285	20,030	23,935
Public safety	152,714	163,339	168,372	163,479	157,299
Public works	14,029	16,113	18,464	19,478	30,959
Library	11,041	12,485	13,432	12,648	13,283
Parks and recreation	17,948	22,376	27,185	25,747	25,637
Capital outlay	84,194	105,384	135,071	98,819	101,399
Debt service:					
Principal retirement	11,739	3,973	1,017	591	689
Cost of issuance	846	99	777	2,069	341
Interest and fiscal charges	12,523	11,938	10,771	7,892	4,314
<b>Total expenditures</b>	<b>326,852</b>	<b>359,979</b>	<b>397,374</b>	<b>350,753</b>	<b>357,856</b>
Excess (deficiency) of revenues over (under) expenditures	\$ (43,126)	\$ (48,370)	\$ (45,095)	\$ 9,448	\$ (9,453)

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

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Other financing sources (uses):</b>					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ (284)
Transfers in	16,860	13,497	30,678	24,706	78,125
Transfers out	(20,235)	(13,031)	(30,360)	(25,450)	(74,128)
Bond insurers proceeds	29,178	7,800	8,287	-	-
Operating transfers out to a component unit	-	-	-	-	-
Issuance of long-term debt	-	-	-	533	30
Sales of capital assets	521	200	-	-	1,127
Payment to refunded bond escrow agent	(6,080)	-	-	-	-
Premiums on debt issuances	-	-	-	-	-
Discounts on debt issuances	-	-	-	-	-
Total other financing sources (uses)	<u>20,244</u>	<u>8,466</u>	<u>8,605</u>	<u>(211)</u>	<u>4,870</u>
Special items	-	-	-	(21,324)	3,270
Net change in fund balance	64,417	18,273	13,938	(33,375)	(35,838)
Fund balance, beginning of year, original	112,078	93,805	79,868	113,244	258,748
Prior period restatement	-	-	-	-	(109,666)
Fund balance, beginning of year, restated	<u>112,078</u>	<u>93,805</u>	<u>79,868</u>	<u>113,244</u>	<u>149,082</u>
Fund balance, end of year	<u>\$ 176,495</u>	<u>\$ 112,078</u>	<u>\$ 93,806</u>	<u>\$ 79,869</u>	<u>\$ 113,244</u>
Debt service as a percentage of noncapital expenditures	5.2%	7.3%	7.9%	9.6%	15.6%

(1) Measure W, Public Safety Tax, an additional .25% sales tax approved by voters, effective April 1, 2005 allowed for adding up to 40 police officers and 40 firefighters. FY 2006 included two additional months of sales tax revenue to align revenues to the month they were earned.

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

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

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

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>Other financing sources (uses):</b>					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	35,341	46,051	59,991	78,825	45,192
Transfers out	(34,357)	(45,381)	(59,839)	(80,506)	(38,821)
Bond insurers proceeds	-	-	-	-	-
Operating transfers out to a component unit	-	-	-	-	-
Issuance of long-term debt	39,702	6,343	53,436	110,509	14,608
Sales of capital assets	-	109	44	5	2
Payment to refunded bond escrow agent	-	-	-	-	(14,604)
Premiums on debt issuances	-	-	-	2,377	-
Discounts on debt issuances	(775)	-	(24)	-	(86)
Total other financing sources (uses)	<u>39,911</u>	<u>7,122</u>	<u>53,608</u>	<u>111,210</u>	<u>6,291</u>
Special items	(288)	(8,736)	-	-	-
Net change in fund balance	(3,503)	(49,984)	8,513	120,658	(3,162)
Fund balance, beginning of year, original	262,250	312,234	303,721	183,063	184,816
Prior period restatement	-	-	-	-	-
Fund balance, beginning of year, restated	<u>262,250</u>	<u>312,234</u>	<u>303,721</u>	<u>183,063</u>	<u>184,816</u>
Fund balance, end of year	<u>\$ 258,747</u>	<u>\$ 262,250</u>	<u>\$ 312,234</u>	<u>\$ 303,721</u>	<u>\$ 181,654</u>
Debt service as a percentage of noncapital expenditures	11.5%	6.7%	5.0%	4.4%	2.1%

(1) Measure W, Public Safety Tax, an additional .25% sales tax approved by voters, effective April 1, 2005 allowed for adding up to 40 police officers and 40 firefighters. FY 2006 included two additional months of sales tax revenue to align revenues to the month they were earned.

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

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

**City of Stockton**  
**Table 5**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Dollar amounts in thousands)**

	Fiscal Year										% Change 2006 (or inception) to 2015
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Property (1)	\$ 29,573	\$ 28,014	\$ 29,420	\$ 32,772	\$ 41,051	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015	\$ 47,495	-38%
In lieu of sales tax (2)	9,816	9,706	9,938	8,392	8,118	7,087	9,823	10,164	11,070	9,274	6%
Utility user (3)	32,921	32,369	31,941	31,505	30,994	30,717	30,854	30,861	30,101	34,313	-4%
Sales (levied by city) (4)	37,208	15,536	9,086	8,576	7,875	7,652	7,921	9,409	9,249	9,941	274%
Franchise fees (5)	12,380	11,981	11,677	12,465	11,503	11,354	11,608	11,537	10,817	10,333	20%
Business licenses (6)	10,805	10,392	10,153	9,873	9,855	9,717	9,699	10,772	10,285	11,222	-4%
Hotel/motel room	2,378	2,080	2,006	1,933	1,799	1,749	1,962	2,287	2,180	2,171	10%
Document transfer (7)	587	565	458	603	583	559	702	686	1,187	2,010	-71%
Special assessments (8)	-	-	-	-	-	-	-	-	-	-	0%
Other	930	728	287	159	155	203	234	246	257	218	327%
<b>Totals</b>	<b>\$ 136,598</b>	<b>\$ 111,371</b>	<b>\$ 104,966</b>	<b>\$ 106,278</b>	<b>\$ 111,933</b>	<b>\$ 114,587</b>	<b>\$ 131,443</b>	<b>\$ 139,960</b>	<b>\$ 135,161</b>	<b>\$ 126,977</b>	<b>8%</b>

(1) Property taxes decreased beginning in 2009 due to declining residential home values and foreclosures, resulting in a devaluation of City's assessed valuation performed by San Joaquin County.

(2) Effective with FY 2005, the City began receiving property tax in-lieu of sales tax under provisions of Proposition 1A approved by the voters of the State of California. Fluctuations are due to the value of property when sold.

(3) The City Council approved a resolution in FY 2005 to reduce the utility user tax rate from 8% to 6%, with the final reduction from 7% to 6% effective July 1, 2006. Mild winter weather combined with lower prices for natural gas to PG & E customers added to the overall reduction in revenues since 2006.

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

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

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

(7) Document transfer fees are charged when property changes ownership. Home and other property sales have slowed considerably since 2006.

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



**City of Stockton**  
**Table 6**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Dollar amounts in thousands)**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Secured roll	\$ 19,473,994	\$ 16,981,109	\$ 16,272,927	\$ 16,575,192	\$ 17,388,579	\$ 18,339,819	\$ 20,988,391	\$ 21,520,451	\$ 19,823,995	\$ 16,860,177
Utility roll	6,199	6,228	7,504	7,204	7,119	7,081	5,633	5,652	14,092	15,883
Unsecured roll	1,651,844	1,557,131	1,566,497	1,566,928	1,606,951	1,628,749	1,588,293	1,234,912	1,195,948	1,127,627
Gross assessed value	21,132,037	18,544,468	17,846,928	18,149,324	19,002,649	19,975,649	22,582,317	22,761,015	21,034,035	18,003,687
Less exemptions (1)	1,729,742	1,699,348	1,608,513	1,654,143	1,584,109	1,514,454	1,398,902	1,302,249	1,238,271	1,185,310
Net assessed value	19,402,295	16,845,120	16,238,415	16,495,181	17,418,540	18,461,195	21,183,415	21,458,766	19,795,764	16,818,377
Land	5,420,167	4,597,437	4,019,017	4,168,722	4,461,053	4,817,327	6,387,373	6,661,962	5,992,555	4,811,339
Improvements	14,501,054	12,868,329	12,696,221	12,846,828	13,284,209	13,910,082	14,984,980	15,092,621	14,034,608	12,251,910
Personal property	1,210,816	1,078,702	1,131,690	1,133,774	1,257,387	1,248,240	1,209,964	1,006,432	1,006,872	940,438
Gross assessed value	21,132,037	18,544,468	17,846,928	18,149,324	19,002,649	19,975,649	22,582,317	22,761,015	21,034,035	18,003,687
Less exemptions (1)	1,729,742	1,699,348	1,608,513	1,654,143	1,584,109	1,514,454	1,398,902	1,302,249	1,238,271	1,185,310
Net assessed value	\$ 19,402,295	\$ 16,845,120	\$ 16,238,415	\$ 16,495,181	\$ 17,418,540	\$ 18,461,195	\$ 21,183,415	\$ 21,458,766	\$ 19,795,764	\$ 16,818,377
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) For FY 2015, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$226,216,644 and other - \$84,000 = \$226,300,644.

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)**

<b>Fiscal Year</b>	<b>Basic Countywide Levy</b>	<b>City</b>	<b>Total Direct</b>	<b>Stockton Unified School District (1)</b>	<b>San Joaquin Delta College District</b>	<b>Total</b>
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
2008	1.0000	-	1.0000	0.1514	0.0015	1.1529
2007	1.0000	-	1.0000	0.0929	0.0183	1.1112
2006	1.0000	-	1.0000	0.0545	0.0134	1.0679

(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 Nine Years Ago**  
**(Dollar amounts in thousands)**

Taxpayer	Fiscal Year					
	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
DTE Stockton LLC	\$ 124,015	1	0.987 %	-	-	-
Excel Stockton LLC	120,377	2	0.958	-	-	-
Buzz Oates LLC	92,920	3	0.740	-	-	-
Simpson Manufacturing Co Inc	85,948	4	0.684	\$ 46,566	3	0.283 %
Pacific Ethanol Stockton LLC	77,564	5	0.617	-	-	-
Diamond Walnut Growers Inc	70,579	6	0.562	55,535	2	0.338
AG Spanos Professional Office Center LLC	70,268	7	0.559	-	-	-
Corn Products International Inc	69,938	8	0.557	68,680	1	0.418
Wal Mart Real Estate Bus Trust/Sam's	67,026	9	0.534	-	-	-
ARC BBSTNCA001	63,286	10	0.504	-	-	-
A G Spanos Construction Inc	-	-	-	-	-	-
Central Valley Indl Core Hold	-	-	-	-	-	-
Levine Investments Ltd PTP/Pacific Companies	-	-	-	42,624	4	-
Unilever Supply Chain/Unilever Bestfoods	-	-	-	39,134	5	0.238
TRU Properties Inc -Toys R Us Inc	-	-	-	33,364	8	0.203
POSDEF Power Co	-	-	-	33,820	7	0.206
Kaiser Foundation Hospital	-	-	-	-	-	-
Pavilions Apartments LP/Sentinel Real Estate Corp	-	-	-	38,470	6	0.234
Stockton Logistics LLC	-	-	-	31,344	9	0.191
Inland Western Stockton Airport Way LLC/Cost Plus Inc	-	-	-	31,322	10	0.191
Principal Secured Property Valuation	841,921		6.702 %	420,859		2.560 %
Other Secured Taxpayers	12,436,354		98.994	17,170,551		104.448
Total Secured Property Valuation Before Exemptions	13,278,275		105.696 %	17,591,410		107.008 %
Less Exemptions relative to secured tax roll (1)	715,515		5.696	1,152,092		7.008
Total Secured Property Valuation	<u>\$ 12,562,760</u>		<u>100.000 %</u>	<u>\$16,439,318</u>		<u>100.000 %</u>

(1) Exemptions relative to secured tax roll:

FY 2015 - homeowners - \$171,272 and other - \$1,418,747 = \$1,590,019

FY 2006 - homeowners - \$268,803 and other - \$883,289 = \$1,152,092

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)**

<b>Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>			<b>Total Collections to Date</b>		
	<b>Secured Taxes Levied for the Fiscal Year</b>	<b>Amount</b>	<b>Percent of Levy (1)</b>	<b>Collections in Subsequent Years</b>	<b>Amount</b>	<b>Percent of Levy</b>
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 %
2008	\$ 33,633	\$ 33,633	100 %	-	\$ 33,633	100 %
2007	\$ 33,891	\$ 33,891	100 %	-	\$ 33,891	100 %
2006	\$ 30,661	\$ 30,661	100 %	-	\$ 30,661	100 %

(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				
	2015	2014	2013	2012	2011
<b><u>Type of Customer</u></b>					
Residential	8,220,045 cf	9,303,185 cf	9,834,835 cf	9,330,690 cf	9,151,563 cf
Institutional	608,940	651,307	2,379,843	646,754	629,802
Commercial/Industrial	1,598,432	1,596,477	1,678,854	1,593,141	1,620,597
Irrigation	<u>1,344,966</u>	<u>1,531,137</u>	<u>1,724,891</u>	<u>1,418,354</u>	<u>1,352,387</u>
<b>Total</b>	<u><u>11,772,383</u></u> cf	<u><u>13,082,106</u></u> cf	<u><u>15,618,423</u></u> cf	<u><u>12,988,939</u></u> cf	<u><u>12,754,349</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**

<b>Fiscal Year</b>	<b>Water</b>		<b>Wastewater</b>
	<b>Monthly Base Rate</b>	<b>Additional Per 100 cf**</b>	<b>Monthly Base Rate</b>
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
2008	\$ 15.90	\$ 0.78	\$ 21.10
2007	\$ 15.60	\$ 0.77	\$ 20.70
2006	\$ 15.10	\$ 0.74	\$ 20.00

100 cf = 100 cubic feet (748 gallons)

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

\*\*The Utility charges an excess use rate above normal demand.

Source: City of Stockton Department of Administrative Services

**City of Stockton**  
**Table 12**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Dollar amounts in thousands, except per capita)**

Governmental Activities*							
Fiscal Year	Revenue* Bonds (1)	Certificates of Participation	Redevelopment Agency Revenue Bonds*	Notes Payable / Equip. Leases / Settlements	Special Assessment/M ello-Roos Bonds (1)	Pension Bonds*	Total Governmental Activities
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
2008	\$ 54,305	\$ 13,300	\$ 157,010	\$ 32,528	\$ -	\$ 125,060	\$ 382,203
2007	\$ 13,860	\$ 13,300	\$ 157,185	\$ 19,405	\$ -	\$ 125,310	\$ 329,060
2006	\$ 13,965	\$ 13,300	\$ 47,000	\$ 19,567	\$ -	\$ -	\$ 93,832

\*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 8-Long-Term Debt and Note 8-Short-Term Debt of these financial statements.

(1) Beginning with FY 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 FY 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 2012 and population for FY 2015.

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, Continued**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Dollar amounts in thousands, except per capita)**

<b>Business-type Activities</b>									
<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Notes Payable</b>	<b>Mello-Roos Bonds(1)</b>	<b>Special Assessment Bonds(1)</b>	<b>Total Business-type Activities</b>	<b>Total</b>	<b>Percent of Personal Income (2)</b>	<b>Amount Per Capita (2)</b>
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
2008	\$ 68,650	\$ 98,710	\$ 672	\$ -	\$ -	\$ 168,032	\$ 550,235	2.85 %	\$ 1,898
2007	\$ 69,315	\$ 101,220	\$ 731	\$ -	\$ -	\$ 171,266	\$ 500,326	2.59 %	\$ 1,727
2006	\$ 69,910	\$ 103,635	\$ 787	\$ -	\$ -	\$ 174,332	\$ 268,164	1.47 %	\$ 938

\*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 8-Long-Term Debt and Note 8-Short-Term Debt of these financial statements.

(1) Beginning with FY 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 FY 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 FY 2012 and population for FY 2015.

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)**

<b>General Bonded Debt Outstanding*</b>							
<b>Fiscal Year</b>	<b>Lease Revenue Bonds</b>	<b>Certificates of Participation**</b>	<b>Pension Obligation Bonds*</b>	<b>Redevelopment Agency Bonds*</b>	<b>Total</b>	<b>Percent of Assessed Property Value</b>	<b>Amount Per Capita</b>
2015	\$ 10,835	\$ 11,890	\$ 54,529	\$ -	\$ 77,254	0.005 %	\$ 0.252
2014	\$ 75,285	\$ 12,265	\$ 121,770	\$ 119,210	\$ 328,530	0.020 %	\$ 1.092
2013	\$ 81,465	\$ 12,625	\$ 123,350	\$ 122,100	\$ 339,540	0.021 %	\$ 1.146
2012	\$ 87,520	\$ 12,970	\$ 124,280	\$ 124,695	\$ 349,465	0.021 %	\$ 1.182
2011	\$ 88,050	\$ 13,300	\$ 124,660	\$ 127,200	\$ 353,210	0.020 %	\$ 1.203
2010	\$ 88,560	\$ 13,300	\$ 124,910	\$ 145,855	\$ 372,625	0.020 %	\$ 1.276
2009	\$ 53,965	\$ 13,300	\$ 125,040	\$ 155,020	\$ 347,325	0.016 %	\$ 1.196
2008	\$ 54,305	\$ 13,300	\$ 125,060	\$ 157,010	\$ 349,675	0.016 %	\$ 1.206
2007	\$ 13,860	\$ 13,300	\$ 125,310	\$ 157,185	\$ 309,655	0.016 %	\$ 1.069
2006	\$ 13,965	\$ 13,300	\$ -	\$ 47,000	\$ 74,265	0.004 %	\$ 0.260

\*Includes settlement amounts for debts adjusted under Chapter 9 of the US Bankruptcy Code.

\*\* 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 6/30/2015	Percentage Applicable (1)	City's share of Debt 6/30/2015
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
San Joaquin Delta Community College District	\$ 145,438,426	28.618 %	\$ 41,621,569
Stockton Unified School District	382,247,362	85.473	326,718,288
Lodi Unified School District	89,025,000	32.956	29,339,079
Lodi Unified School District School Facilities Improvement District No. 1	40,900,000	84.519	34,568,271
Lincoln Unified School District	68,060,830	87.390	59,478,359
Lincoln Unified School District Community Facilities District No. 1	26,421,567	82.047	21,678,103
Manteca Unified School District	55,443,906	14.828	8,221,222
Manteca Unified School District Community Facilities District No. 1989-1	26,416,013	100.000	26,416,013
Tracy Joint Unified School District and School Facilities Improvement Dist. No.3	74,147,637	0.005 & 0.009	4,984
City of Stockton Community Facilities District No. 1	6,410,000	100.000	6,410,000
City of Stockton Community Facilities District No. 90-1	-	100.000	-
City of Stockton Community Facilities District No. 90-2	-	100.000	-
City of Stockton Community Facilities District No. 90-4	2,416,000	100.000	2,416,000
City of Stockton Community Facilities District No. 99-02	18,650,000	100.000	18,650,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)	16,590,000	100.000	16,590,000
City of Stockton Community Facilities District No. 2003-1	2,600,000	100.000	2,600,000
City of Stockton Community Facilities District No. 2006-1	3,475,000	100.000	3,475,000
City of Stockton Community Facilities District No. 2006-3	5,975,000	100.000	5,975,000
City of Stockton 1915 Act Bonds	38,329,000	100.000	38,329,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	6,351,193	18.211	1,156,616
San Joaquin County Reclamation District No. 17 Assessment District	15,288,166	27.528	4,208,526
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>647,856,030</b>
<b>OVERLAPPING GENERAL FUND DEBT:</b>			
San Joaquin County Certificates of Participation	151,470,000	31.431	47,608,536
Lincoln Unified School District Certificates of Participation	3,755,273	87.390	3,281,733
Lodi Unified School District Certificates of Participation	36,665,000	32.956	12,083,317
Manteca Unified School District General Fund Obligations	29,995,000	14.828	4,447,659
Stockton Unified School District Certificates of Participation	40,275,000	85.473	34,424,251
<b>City of Stockton 2003 Certificates of Participation</b>	<b>11,890,000</b>	<b>100.000</b>	<b>11,890,000</b>
<b>City of Stockton 2006 Lease Revenue Bonds</b>	<b>10,835,000</b>	<b>100.000</b>	<b>10,835,000</b>
<b>City of Stockton Capital Lease Obligations</b>	<b>2,971,115</b>	<b>100.000</b>	<b>2,971,115</b>
<b>City of Stockton Bond Insurere Settlement Agreement Liability</b>	<b>54,529,752</b>	<b>100.000</b>	<b>54,529,752</b>
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b>182,071,363</b>
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</b>			
2004 Revenue Bonds (backed but not paid by the General Fund)	40,356,602	100.000	40,356,602
2006 Revenue Bonds	72,905,000	100.000	72,905,000
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>			<b>113,261,602</b>
<b>TOTAL DIRECT DEBT</b>			<b>80,225,867</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>862,963,128</b>
<b>GROSS COMBINED TOTAL DEBT (2)</b>			<b>943,188,995</b>
<b>2014-15 Assessed Valuation (3):</b>	\$ 18,653,198,807		
(after deducting \$1,464,976,489 Other Exemptions Valuation)			
<b>2014-15 Population</b>	306,999		
<b>Debt Ratios</b>		<b>Per Capita</b>	<b>Ratio to Assessed Value</b>
Total Gross Debt (2)	\$ 943,188,995	\$ 3,072	5.06 %
Ratios to 2014-15 Assessed Valuation: Total Overlapping Tax and Assessment Debt	647,856,030	2,110	3.47
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	80,225,867	261	0.43

(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 \$1,464,976,489

(4) Includes debt outside Stockton limits. Therefore, no per capita calculated.

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				
	2015	2014	2013	2012	2011
Assessed valuation (1)	\$ 18,653,199	\$ 17,079,491	\$ 16,479,102	\$ 15,572,567	\$ 16,340,562
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,663,300	4,269,873	4,119,776	3,893,142	4,085,141
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	699,495	640,481	617,966	583,971	612,771
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 699,495</u>	<u>\$ 640,481</u>	<u>\$ 617,966</u>	<u>\$ 583,971</u>	<u>\$ 612,771</u>
Legal debt margin/debt limit	100%	100%	100%	100%	100%

(1) Reflects City assessed valuation excluding other exemptions of \$1,464,976,489. 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 of \$640,481.

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, Continued**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(Dollar amounts in thousands)**

	Fiscal Year				
	2010	2009	2008	2007	2006
Assessed valuation (1)	\$ 16,957,547	\$ 18,903,286	\$ 19,281,142	\$ 18,043,181	\$ 15,761,940
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,239,387	4,725,822	4,820,286	4,510,795	3,940,485
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	635,908	708,873	723,043	676,619	591,073
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 635,908</u>	<u>\$ 708,873</u>	<u>\$ 723,043</u>	<u>\$ 676,619</u>	<u>\$ 591,073</u>
Legal debt margin/debt limit	100%	100%	100%	100%	100%

(1) Reflects City assessed valuation excluding other exemptions of \$1,464,976,489. 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 of \$640,481.

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**  
**Pledge-Revenue Coverage**  
**Last Ten Fiscal Years**  
**(Dollars amounts in thousands)**

<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Less: Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>			<b>Debt Coverage Ratio</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
<b>Water Revenue Bonds</b>							
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
2008	\$ 26,352	\$ 18,010	\$ 8,342	\$ 599	\$ 1,758	\$ 2,357	3.54
2007	\$ 26,787	\$ 17,687	\$ 9,100	\$ 566	\$ 1,788	\$ 2,354	3.87
2006	\$ 22,986	\$ 15,631	\$ 7,355	\$ 538	\$ 1,092	\$ 1,630	4.51

**City of Stockton**  
**Table 16, Continued**  
**Pledge-Revenue Coverage**  
**Last Ten Fiscal Years**  
**(Dollars amounts in thousands)**

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**Wastewater Certificates of Participation (3)**

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
2008	\$	39,602	\$	25,633	\$	13,969	\$	2,510	\$	4,867	\$	7,377	1.89
2007	\$	41,068	\$	27,791	\$	13,277	\$	2,415	\$	4,959	\$	7,374	1.80
2006	\$	44,609	\$	22,357	\$	22,252	\$	2,330	\$	5,044	\$	7,374	3.02

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	Total Housing Units	Household Average Size	Median Family Income	School Enrollment
2015	306,999	\$ 10,670	\$ 34,755	8.5 %	311,600	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	-
2008	289,927	\$ 8,459	\$ 29,178	10.0 %	127,200	96,553	3.09	\$ 61,300	91,744
2007	289,789	\$ 8,329	\$ 28,743	9.3 %	120,800	95,864	3.11	\$ 60,300	83,440
2006	286,041	\$ 7,801	\$ 27,272	7.2 %	120,000	94,409	3.05	\$ 57,100	77,982

College and Graduate School Enrollment numbers for 2014 were unavailable.

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 and Nine Years Ago**

<u>Employer</u>	Fiscal Year					
	2015			2006		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
San Joaquin County	6,000	1	1.93 %	-	-	- %
St. Joseph's Medical Center	4,600	2	1.48 %	2,800	1	2.57 %
Stockton Unified School District	3,366	3	1.08 %	-	-	- %
City of Stockton	1,862	4	0.60 %	-	-	- %
Dameron Hospital	1,200	5	0.39 %	1,200	2	1.10 %
Pacific Gas and Electric	600	6	0.19 %	879	5	0.81 %
Kaiser Permanente	1,065	7	0.34 %	760	6	0.70 %
San Joaquin Delta College	1,000	8	0.32 %	650	8	0.60 %
University of the Pacific	900	9	0.29 %	974	4	0.90 %
Lincoln Unified School District	631	10	0.20 %	-	-	- %
Washington Mutual	-	-	- %	1,000	3	0.92 %
Diamond Walnut	-	-	- %	715	7	0.66 %
The Grupe Company	-	-	- %	500	9	0.46 %
AT&T	-	-	- %	500	10	0.46 %
<b>Total</b>	<b>21,224</b>		<b>6.81 %</b>	<b>9,978</b>		<b>9.17 %</b>

Note: Principal employers are based on best available information.

Sources: San Joaquin Partnership Survey, September 2010  
SJP Membership Directory 2010  
ogpacking.com  
dameronhospital.org  
investor.diamondfoods.com



**City of Stockton**  
**Table 19**  
**Full-Time Equivalent City Government Employees**  
**By Function/Program/Department**  
**Last Five Fiscal Years**

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Function/Program/Department:</b>					
Admin Svcs	59	88	89	90	94
City Attorney	10	8	8	9	8
City Auditor	-	-	-	4	4
City Clerk	7	5	5	6	6
City Council/Mayor	1	1	1	2	2
City Manager	20	19	19	19	19
Community Development	29	27	26	26	41
Community Services	78	78	77	80	84
Human Resources	26	25	25	22	27
Information Technology	35	-	-	-	-
Police:					
Sworn	387	348	324	316	337
Non-sworn	168	165	167	162	161
Animal control	13	13	11	11	12
Total Police	<u>568</u>	<u>526</u>	<u>502</u>	<u>489</u>	<u>510</u>
Fire:					
Firefighters-sworn	160	168	168	176	220
Firefighters-auxiliary	28	18	26	24	17
Non-sworn personnel	24	23	23	24	24
Paramedic teams (2 per team)	-	-	-	-	-
Total Fire	<u>212</u>	<u>209</u>	<u>217</u>	<u>224</u>	<u>261</u>
Public Works	140	138	132	125	136
Economic Development	17	17	16	17	20
Water Utility	49	41	41	42	37
Wastewater Utility	138	136	144	144	132
Stormwater Utility	7	6	3	4	4
Central Parking District (1)	-	-	-	-	-
Total	<u><u>1,396</u></u>	<u><u>1,324</u></u>	<u><u>1,305</u></u>	<u><u>1,303</u></u>	<u><u>1,385</u></u>

(1) In FY 2015 Central Parking District was dissolved and current operations are handle by the Parking Authority.

Source: City of Stockton Human Resources Department

**City of Stockton**  
**Table 20**  
**Operating Indicators by Function/Program/Department**  
**Last Five Fiscal Years**

	Fiscal Year				
	2015	2014	2013	2012	2011
General government:					
Building permits issued	6,576	4,595	3,956	4,007	4,020
Business tax certificates:					
Retail sales and service	5,908	5,821	5,886	5,833	5,797
Rental Properties - Commercial and Residential	4,485	4,466	4,624	4,589	4,469
Wholesale	390	374	330	330	327
Manufacturers and processors	156	163	177	175	178
Professions	1,856	1,878	1,947	2,019	2,018
Miscellaneous contractors, peddlers, delivery vehicles, etc.	4,018	4,054	4,104	4,187	4,259
Improvement district and hotel/motel room tax	42	90	90	90	90
Utility billing/customer service:					
Utility bills issued	636,359	640,836	626,335	632,540	630,879
Utility accounts opened and closed	16,635	19,138	21,405	22,198	23,318
New service locations (water) added	107	120	113	1	142
Delinquency Notices Sent - Active Accounts	80,682	82,050	81,358	53,216	74,742
Water Service Terminated for Non-Payment	6,674	4,972	5,909	4,732	4,729
Utility customer service calls received	56,549	46,179	57,126	65,708	102,700
Utility customers using automated voice response	291,065	195,917	195,478	124,804	130,719
Utility Customers Using Online Pmt/Account Access	35,614	29,209	26,430	23,365	22,397
Miscellaneous accounts receivable bills issued	45,157	31,355	44,243	24,665	26,071
Public safety:					
Police:					
Major reported crimes	16,943	17,821	19,859	20,110	19,752
Total arrests	11,278	11,541	10,585	9,206	11,322
Dispatched calls for service	123,737	119,187	119,276	125,939	134,368
Fire:					
Interior structure fire calls	363	403	364	347	422
Non-structural fire calls	1,668	1,430	1,117	1,152	1,145
Hazardous materials calls	226	234	226	194	249
Emergency medical calls	18,686	18,422	21,729	21,374	22,704
Total emergency calls	35,748	37,387	39,518	40,050	38,234
Total number of units dispatched	47,467	45,709	47,939	46,865	42,136
Public works:					
Miles of streets resurfaced	2	4	19	15	42
Fleet job orders completed	8,797	10,065	9,625	9,435	9,622

**City of Stockton**  
**Table 20, Continued**  
**Operating Indicators by Function/Program/Department**  
**Last Five Fiscal Years**

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Library:</b>					
Registered borrowers	151,504	221,844	209,823	222,151	286,600
Circulation of library materials	1,576,156	1,640,185	1,673,049	1,707,788	1,686,245
Reference, research and informational questions answered	167,744	167,857	228,240	220,343	228,119
Annual attendance at libraries	922,957	952,894	981,213	1,078,785	1,091,999
Number of programs offered	2,977	2,898	2,567	2,325	2,200
Annual attendance at programs	78,874	81,356	77,448	78,430	59,513
<b>Parks and Recreation:</b>					
Golf rounds:					
Swenson Park golf course	50,699	57,757	54,492	59,699	53,450
Van Buskirk golf course	21,731	21,919	24,316	27,047	23,400
Trees planted	-	-	5	14	420
Heritage tree removal-permits issued	7	10	16	14	24
After school program registration (number of participants)	23,408	20,620	23,365	16,996	44,379
Day camp participants	7,444	4,363	2,583	604	902
Instructional classes	3,591	2,327	1,426	1,855	1,259
Softball/baseball diamonds bookings	344	273	73	2,839	2,780
Showmobile (Mobile Stage) bookings	32	30	34	24	26
Community center bookings	1,133	1,444	1,441	1,346	552
Picnic facility bookings	339	328	475	393	504
Adult sports (number of teams):					
Softball	297	347	348	324	324
Basketball	-	-	26	69	46
Volleyball	-	-	15	10	4
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants)	3,620	3,715	2,688	2,500	5,340

**City of Stockton**  
**Table 20, Continued**  
**Operating Indicators by Function/Program/Department**  
**Last Five Fiscal Years**

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Parks and Recreation (cont.):</b>					
Admissions to:					
Pixie Woods	13,950	12,500	12,161	13,357	20,020
Senior Center memberships	1,276	911	943	678	813
Civic Auditorium bookings	144	139	157	60	41
Parks and Recreation sponsored events	17	14	-	-	-
Weber Point Events Center bookings	25	35	43	18	15
<b>Economic Development: (1)</b>					
Rental Housing Units	49	71	91	110	-
Owner Housing (Emergency Repair or Rehabilitation)	5	17	6	7	7
Down Payment Assistance	-	18	2	1	17
Special Needs (Homes Repaired or Rehabilitated)	5	2	7	12	5
Public Facilities (Rehabilitated or Constructed)	-	1	1	2	5
Façade Program (Commercial Façade Repair/Rehabilitated)	-	6	2	-	1
Public Services Provided	118,316	205,884	189,606	85,296	75,572
Homeless Services Provided	532,043	3,555	4,420	4,465	5,078
Meals Provided to Homeless	-	539,626	519,740	573,591	537,361
Jobs Created and/or Retained	2	14	14	7	18
<b>Water utility:</b>					
New connections (DUE's) (2)	29	92	219	236	654
Water main breaks	14	16	16	19	16
<b>Wastewater utility:</b>					
Average daily influent (million gallons per day)	30 mgd	32 mgd	33 mgd	24 mgd	29 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				
	2015	2014	2013	2012	2011
General government:					
Land use-square miles:					
Residential	25	25	25	34	34
Mixed use	4	4	4	5	5
Commercial	5	4	4	5	6
Industrial	13	13	13	11	11
Institutional	4	4	4	6	6
All other uses	3	3	3	4	4
Total square miles	54	53	53	65	66
Public safety:					
Police:					
Facilities:					
Stations and substations	1	1	1	1	2
Animal control facility	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1
Vehicles:					
Marked patrol cars	189	164	145	157	138
Motorcycles and scooters	27	32	34	34	33
Animal control vehicles	8	9	9	9	9
VIPS vehicles	7	7	7	7	7
Other automobiles	173	154	154	165	158
Other mobile units (all others)	444	15	15	15	15
Public area security cameras	300	76	76	76	76
Fire:					
Fire stations	12	12	12	12	13
Training facilities	1	1	1	1	1
Fire hydrants	9,039	8,981	8,959	8,608	8,558
Public works:					
Miles of streets	806	760	760	760	760
Traffic signals	291	312	307	303	303
Street light fixtures	19,224	19,196	19,195	19,188	19,188

**City of Stockton**  
**Table 21**  
**Capital Asset Statistics by Function/Program/Department**  
**Last Five Fiscal Years**

	Fiscal Year				
	2015	2014	2013	2012	2011
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	10	10	10	10	10
Children's Museum	1	1	1	1	1
Civic Auditorium (2,800 capacity)	1	1	1	1	1
Community centers	5	5	5	5	5
Dog Areas	3	3	3	1	1
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	1
Swimming pools	7	7	7	4	4
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	2.2 million	2.2 million
Public open spaces (acreage)	70	70	70	68	68

**City of Stockton**  
**Table 21**  
**Capital Asset Statistics by Function/Program/Department**  
**Last Five Fiscal Years**

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Library:</b>					
Central library (2)	-	-	-	-	1
City branches	4	4	4	4	3
Library mobile units	2	2	2	2	2
San Joaquin County branches	8	8	8	8	8
Total items in collection	895,640	893,419	886,370	893,661	954,044
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	5	5
Microform readers/printers	7	7	7	7	7
Self check out machines	28	28	28	15	15
<b>Water utility:</b>					
Water main lines (miles)	590	668	665	629	612
Storage capacity (thousand gallons)	22,290	26,200	26,200	22,200	22,200
Water wells (active)	17	21	21	22	22
Water reservoirs	7	8	8	7	7
<b>Wastewater utility:</b>					
Wastewater main lines (miles)	899	861	928	923	923
Treatment capacity (million gals/day)	55	55	55	55	55
Wastewater pump stations	27	27	27	27	24
<b>Stormwater utility:</b>					
Stormwater main drain lines (miles) (1)	626	488	488	488	488
Stormwater pump stations	72	72	72	72	72
<b>Parking Authority: (3)</b>					
Parking spaces	4,259	3,656	3,656	3,461	5,568
Parking lots & garages	18	21	21	19	22

(1) Years prior to 2011 reflected "all" stormwater drain lines instead of just the "main" stormwater drain lines.

(2) Prior to fiscal year ended June 30, 2012, the Central Library total was reported separate from the City Branches total.

(3) In FY 2015 Central Parking District was dissolved and current operations are handle by the Parking Authority.

Source: City of Stockton Departments