



CITY OF STOCKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016
CITY OF STOCKTON, CALIFORNIA

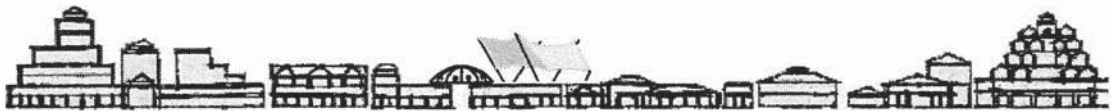
Prepared and Issued by
Administrative Services Department

MATT PAULIN
Chief Financial Officer

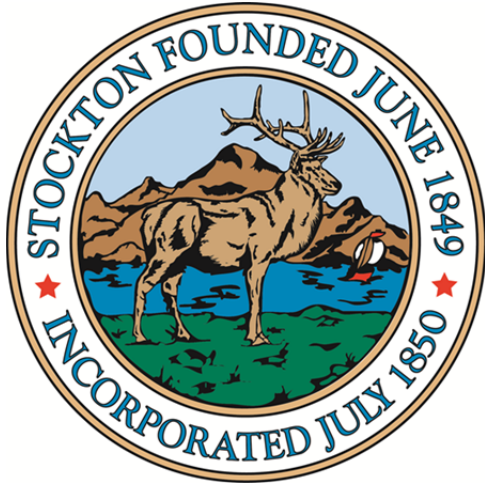




CITY OF STOCKTON



INTRODUCTORY SECTION



City of Stockton
Comprehensive Annual Financial Report
For the year ended June 30, 2016

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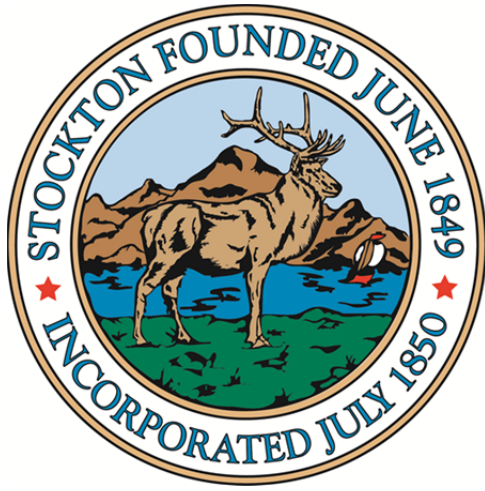
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CITY OF STOCKTON

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

December 31, 2016

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, 2016.

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

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

PROFILE OF THE GOVERNMENT

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

One of the oldest cities in the State of California, Stockton was founded in 1849 and incorporated in 1850. In 1888, the voters approved Stockton’s first local Charter, which was ratified by the State Legislature in 1889. The current Charter 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. Stockton’s voters eliminated citywide voting for council districts in the November 2016 election. The City Manager is responsible for carrying out the policies and ordinances of the City Council, appointing department heads and overseeing the operation of the City. The City Council appoints the City Manager, City Attorney, City Auditor, and City Clerk.

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

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

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

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

THE LOCAL ECONOMY

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

In January 2015, Stockton's population was 315,592 according to the California Department of Finance, which represents a 0.8% increase over last year's population estimate of 312,990. The latest University of the Pacific ("UOP") forecast projects that the population in the Stockton metropolitan area will continue to increase at a rate of approximately 1.5% from 2016 through 2020. As the 13th largest city in California, Stockton is comparable in size to other cities such as Pittsburgh, St. Paul, Cincinnati, and Buffalo.

According to UOP's Eberhardt School of Business, Business Forecasting Center, the Stockton Metropolitan Statistical Area, which includes the City of Stockton and surrounding areas, will continue to have the fastest economic growth of inland regions as it is closest to the Bay Area and its dynamic economy. Employment growth is on track for a 3.7% gain in 2016 and is projected to remain above 3% in San Joaquin County for 2017, the fastest of all Northern California metro areas.

The area's unemployment rate is expected to decrease from 8.2% in 2016 to 8.1% in 2017 and maintain at that level through 2020. Unemployment rates remain higher than the 2016 State of California average of 5.5% and the San Francisco average of 3.2%.

Real personal income is expected to increase 3.2% between 2015 and 2016 and will continue to grow approximately 3% to 3.2% each year through 2020. Per capita income, expected to be \$40,200 in 2017, will increase each year through 2020, reaching \$44,900 in 2020.

Housing starts are gradually expected to increase beginning in 2017. The median home value in Stockton is approximately \$232,000, which represents a 10.6% increase over the past year. Home prices are expected to continue to rise in 2017 by over 6% with sales volume staying stable.

FINANCIAL CONDITION HIGHLIGHTS

Financial results for the year compare favorably with budget estimates in most areas of the City's operations. For the General Fund, financial results for the year were better than estimated. Expenditures (including encumbrances and carryovers and other uses of funds) came in 7.7% under budget. Revenues (including other sources of funds) were 3.4% above projections. As a result, the General Fund balance at June 30, 2016 (excluding related funds), of \$62.5 million was combined with prior year reserve funds of \$16.5 million (including closing out the bankruptcy fund) and reduced by \$8.4 million in continued appropriations for a total of \$70.5 million available to fund reserves.

In March 2016, the City Council adopted a new reserve policy that calls for the City to maintain a 17% operating reserve and establishes additional reserves for known contingencies, unforeseen revenue changes, infrastructure failures, and catastrophic events. Additionally, the new policy establishes an automatic process to deposit one-time revenue increases and expenditure savings into the reserves. These new policies are consistent with the Government Finance Officers' Association (GFOA) best practice recommendations and Governmental Accounting and Standards Board (GASB) guidance.

The \$70.5 million is sufficient to fund the 17% operating reserve (\$34 million) set aside \$31 million for known contingencies and \$5 million for the other reserve categories.

The Statement of Net Position (revenues and sources of funds less expenses and uses of funds) for the City is approximately \$1.1 billion and is approximately \$21.1 million higher, or 1.9%, than the prior fiscal year, mostly in Governmental Activities.

The City's Long-Range Financial Plan

The City maintains a comprehensive and detailed 30-year Long-Range Financial Plan ("L-RFP"), which provides a long-term forecast for the City's General Fund and the impacts of other funds on the General Fund. The City prepared the L-RFP in connection with its 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 originally based on the Plan of Adjustment that includes certain assumptions and agreements reached with the City's capital market creditors but has been continually modified based on updated information and experience. 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 the risk that its underlying assumptions 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 annually generates around \$29 million in sales tax revenues. A companion non-binding advisory measure, Measure B, recommends the City spend 65% of the new sales tax proceeds for law enforcement and crime prevention services, such as those described in the City's Marshall Plan on Crime. The other 35% is to be used to pay for the City's efforts to end bankruptcy and to provide services to residents, businesses and property owners.

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

In November 2016, Stockton's voters approved Measure M, which is estimated to generate approximately \$9 million annually for 16 years. The new revenues can only be used for library and recreation services, which were significantly reduced by the City during bankruptcy and the Great Recession.

Remarketing of City Debt

During FY 2016-17, the City, through the Stockton Public Financing Authority, refunded over \$44 million of land-secured debt that provided net present value savings of approximately \$14 million to Stockton residents and over \$4 million for City capital projects.

The Successor Agency to the Redevelopment Agency of the City of Stockton also refunded over \$123 million of bonds issued by the City's former Redevelopment Agency, which will save over \$42 million, of which approximately \$340,000 per year will be realized as new revenues to the City. The refunding also eliminated two related settlement agreements reached with bond insurers Ambac and National Public Finance Guarantee during the Chapter 9 bankruptcy.

Bond ratings on debt backed by the City's General Fund remained stable at B-, with the outlook improving to positive from stable. Bond ratings for debt issued by the City's Municipal Utilities District also remained stable with ratings of A- or better with the exception of wastewater bonds, which were upgraded to A in December 2016. In response to decreased water consumption and to maintain debt coverage related to the Delta Water Treatment Plant, the City Council approved water rate increases that became effective August 1, 2016, and also authorized annual increases over the next four years, which become effective after review and approval by the City Council.

The Federal Reserve, which had held overnight borrowing costs between banks at near zero since 2008, recently increased interest rates by 0.25%, with additional increases possible in 2017 depending on the performance of the national economy. The City is not anticipating any bond issuances backed by the General Fund; however, the City Council authorized a design-build contract in November 2016 for a \$150 million upgrade to its Wastewater facilities, portions of which may be bond-financed.

RESERVE POLICIES

The new General Fund reserve policy adopted by the City in 2016 calls for the City to maintain a 17% operating reserve (approximately two months of expenditures) and establishes additional reserves for known contingencies, unforeseen revenue changes, infrastructure failures, and catastrophic events. The known contingencies include amounts to address staff recruitment and retention, future CalPERS costs and City facilities. Approximately \$120 million would be needed to fund all of the reserve categories fully, and on November 15, 2016, the City placed \$70.5 million into reserves.

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

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

http://stockton.granicus.com/MetaViewer.php?view_id=48&clip_id=5543&meta_id=463928

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 website 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 and Electronic Municipal Market Access website at <http://emma.msrb.org>.

INVESTMENT POLICY

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

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

http://www.stocktongov.com/files/2012_2014_Investment_Policy.pdf

CASH AND INVESTMENTS

California Government Code and the City's investment policy adopted in compliance with that Code define 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 overall rate of return on funds not held by fiscal agents for the fiscal year ending June 30, 2016, was 1.97%. This amount includes both realized and unrealized gains distributed to funds. Absent unrealized fair market value gains and accrued interest amounts distributed on June 30, 2016, distributed returns would have been 0.52%. This return includes a one-time removal of quarterly adjustments to fair market value and accrued interest that occurred in March 2016 as further detailed in Note 1 to the financial statements.

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

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

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

INDEPENDENT AUDIT

The City Charter, Article XIX, Section 1911, requires that "after the close of the fiscal year, an annual audit shall be made of the City's funds. Such audit shall be made by a firm of independent certified public accountants." The City of Stockton's financial statements have been audited by The Pun Group, 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, 2016.

SINGLE AUDIT REPORT TO FEDERAL GRANTING AGENCIES

A broader, federally mandated "Single Audit," designed to meet the needs of federal granting agencies, is also required. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements and the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

The City prepares a separate single audit report in conformity with the provisions of the Federal Single Audit Act as amended and U.S. Office of Management and Budget 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 2015-16 the City continued its self-insurance program for General Liability and Workers' Compensation. The City is a member of the California Joint Powers Risk Management Authority for General Liability. The self-insured retention ("SIR") is \$1 million. The City is also a member of the California State Association of Counties insurance pool for excess Workers' Compensation coverage. The SIR is \$500,000. The City also obtains Property Protection as a member of the Authority's All Risks Property Protection Program, which is primarily underwritten by a casualty underwriter insurance company. Coverage is up to \$40 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. City management assumes responsibility for the completeness, accuracy, and reliability of the information presented in this report. City management established an internal control framework intended to protect the City's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City's financial statements.

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

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

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,



KURT O. WILSON
CITY MANAGER



MATT PAULIN
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



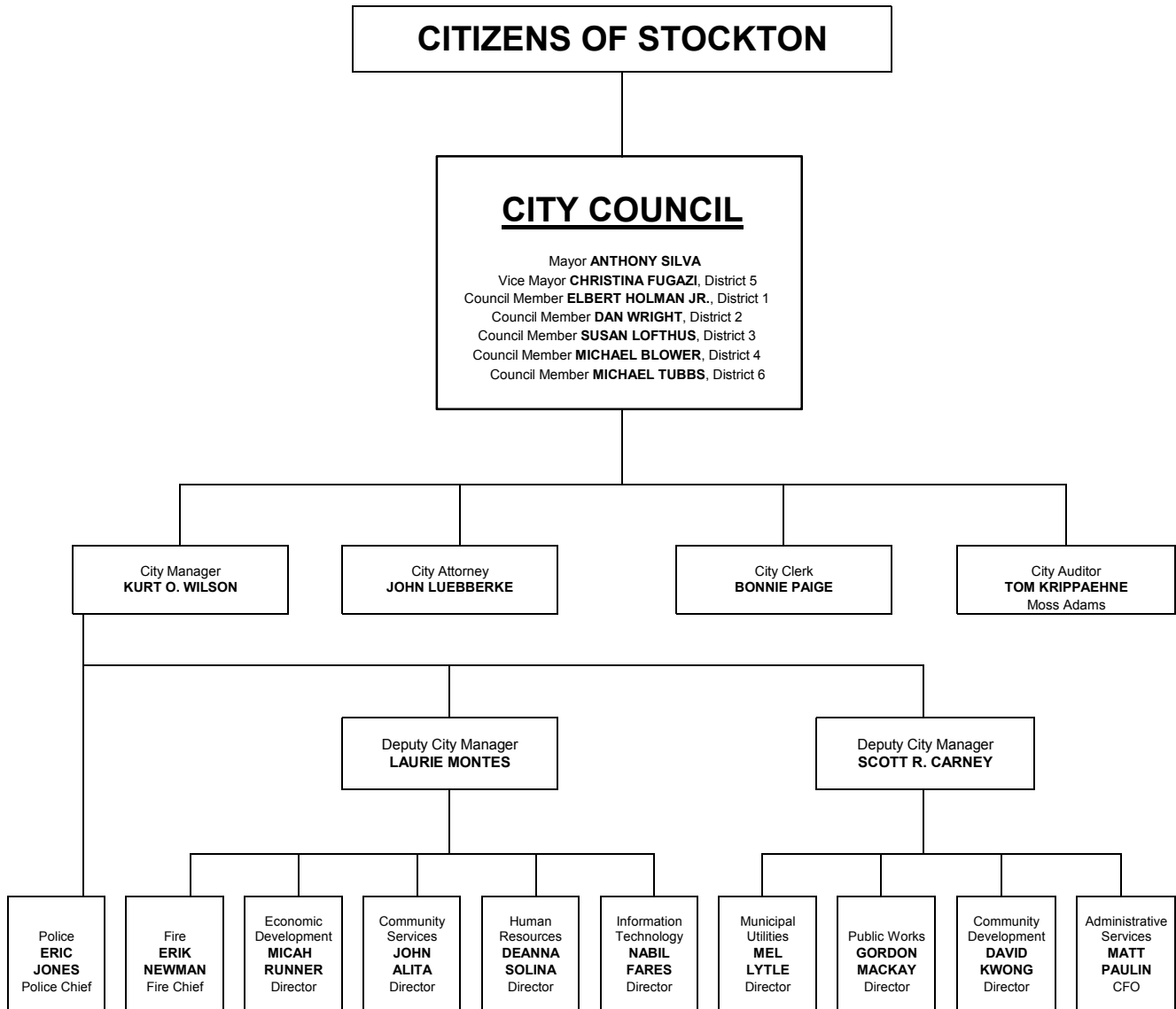
MOSES ZAPIEN
COUNCILMEMBER
District 4



MICHAEL TUBBS
COUNCILMEMBER
District 6

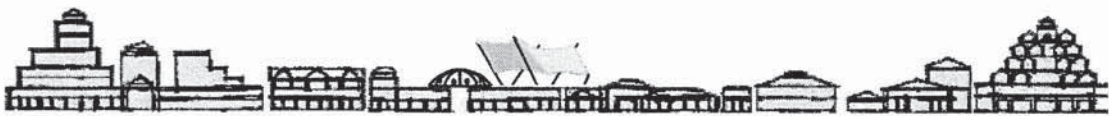


**CITY OF STOCKTON
ORGANIZATION CHART
AS OF JUNE 30, 2016**

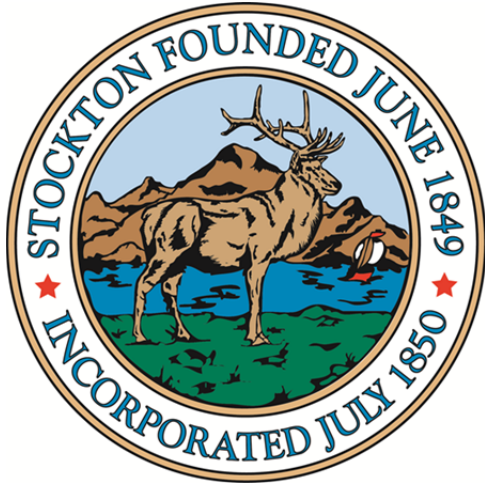




CITY OF STOCKTON



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

To the 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, 2016, 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, 2016, 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.

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 Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions and the Schedules of Funding Progress on pages 7 to 23 and pages 114 to 127 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 sources and uses – Measure A and B are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, 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.

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

Santa Ana, California
December 30, 2016





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

Independent Auditors' Report

To the Honorable 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, 2016, 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 30, 2016.

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 30, 2016, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We consider the deficiency reported in our separately issued *Report on Internal Control Related Matters Identified in the Audit* to be material weakness as item 2016-01, 2016-02 and 2016-03

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.

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 2016-04.

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 30, 2016, 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

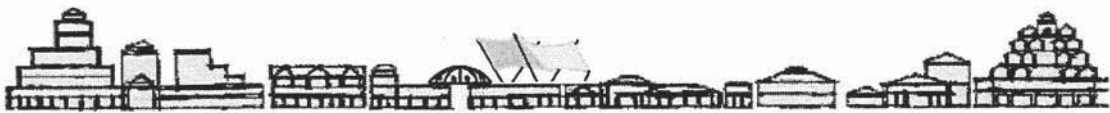
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

The PwC Group, LLP

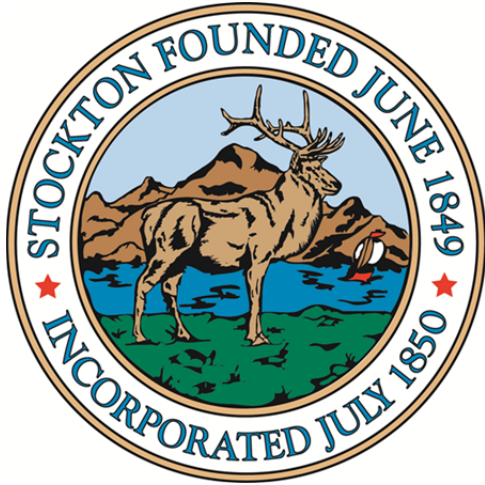
Santa Ana, California
December 30, 2016



CITY OF STOCKTON



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

JUNE 30, 2016

INTRODUCTION

As management of the City of Stockton ("City"), we offer readers of the City's financial statements this overview and analysis of the City's financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements, and the Notes to the Financial Statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide:

- The City's total net position for the governmental and business-type activities show that, as of June 30, 2016, total assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$1.1 billion. Of this amount, \$240.8 million represents the unrestricted net position, \$207.7 million is restricted for City's ongoing obligation related to programs with external restrictions and \$657.0 million represents the City's net investment in capital assets, less any related outstanding debt used to acquire those assets.
- Governmental revenues include program revenues of \$76.6 million and general revenues of \$219.7 million for a total of \$296.3 million while governmental expenses were \$279.2 million.
- Business-type program revenues, other taxes, and investment earnings were \$125.7 million while business type expenses were \$121.7 million.

Fund Level:

- The City's governmental funds reported a combined ending fund balance of \$216.1 million at the close of June 30, 2016, an increase of \$39.6 million compared with the prior fiscal year. All funds categorized as the General Fund balance in this report as of June 30, 2016, was \$93.6 million absent encumbrances. It was sufficient to entirely fund the priority one working capital and known contingency reserves established in the updated Reserve and Fund Balance Policy – General Fund, as well as partially fund the risk-based reserves at \$5.0 million.
- Governmental fund revenues decreased by 4.1 percent compared to the prior fiscal year primarily due to decreased in grant revenues.
- Governmental Fund expenditures decreased by 4.0 percent compared to the prior fiscal year due primarily to vacancies or salary savings.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements:

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. 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 from uncollected taxes and expenses about earned but unused vacation leave.

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

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

The government-wide financial statements can be found on pages 25-27 of this report.

Fund Financial Statements:

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

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Fund Financial Statements, Continued

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

The City maintains several individual governmental funds organized according to their category type. The governmental fund category types are the General Fund, special revenue, debt service, capital projects, and permanent funds. Information is presented separately in the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and change in fund balances for the General Fund, HOME Program Loans, Low-Moderate Income Housing City Loans and Capital Improvement funds, which are reported as major funds. Data from the remaining non-major governmental funds are combined into a single, aggregated presentation. 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 fund's financial statements can be found on pages 29-35 of this report.

Proprietary funds are used to account for services for which the City charges customers – either outside customers or internal units of departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Water Utility, Wastewater Utility, Stormwater Utility and Parking Authority, which are reported as major funds. Data for the remaining non-major enterprise funds are combined into a single, aggregated presentation. Additional information is provided for each of these nonmajor enterprise funds in later sections of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Fund Financial Statements, Continued:

- **Internal service funds** are used to report activities that provide goods and services for certain City insurance, pension and other related programs and activities. The City uses internal service funds to account for its self-insurance programs, pension obligations, employee health benefits insurance, a 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 of this report.

The basic proprietary fund financial statements can be found on pages 37-47 of this report.

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

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

The basic fiduciary fund's financial statement can be found on pages 49-52 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 55-134 of this report.

Other information

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

Required supplementary information can be found on pages 135-146 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, 2016, the City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1.1 billion which is an increase of \$20.6 million or 1.9 percent compared to the prior fiscal year.

The following is the condensed statement of net position for the fiscal years ended June 30, 2016, and 2015:

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current and other assets	\$ 475,881	\$ 417,727	\$ 165,148	\$ 153,035	\$ 641,029	\$ 570,762
Capital assets	748,161	753,916	730,680	749,229	1,478,841	1,503,145
Total assets	1,224,042	1,171,643	895,828	902,264	2,119,870	2,073,907
Deferred Outflow of Resources:						
Unamortized loss on refunding of debt	484	516	2,361	2,549	2,845	3,065
Deferred Pension Contributions	28,942	24,379	4,167	3,778	33,109	28,157
Total Deferrals-Outflows	29,426	24,895	6,528	6,327	35,954	31,222
Liabilities:						
Current and other liabilities	37,751	44,629	24,279	24,933	62,030	69,562
Long-term obligations	155,353	147,164	349,998	361,001	505,351	508,165
Net Pension liability	343,346	313,038	46,345	45,469	389,691	358,507
Total liabilities	536,450	504,831	420,622	431,403	957,072	936,234
Deferred Inflow of Resources:						
Deferred Rent	444	111	-	-	444	111
Deferred amounts between proj.actual on plan	80,405	72,254	12,340	12,063	92,745	84,317
Total Deferrals Inflows	80,849	72,365	12,340	12,063	93,189	84,428
Net position:						
Net investment in capital assets	287,077	326,823	369,983	379,853	657,060	706,676
Restricted	153,087	130,763	54,618	56,521	207,705	187,284
Unrestricted (deficit)	196,005	161,756	44,793	28,751	240,798	190,507
Total net position	\$ 636,169	\$ 619,342	\$ 469,394	\$ 465,125	\$ 1,105,563	\$ 1,084,467

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

Analysis of Net Position, Continued

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

- The investment in capital assets (e.g. infrastructure, land, buildings, improvements other than buildings, construction in progress, and equipment), less any related debt used to acquire assets still outstanding, represents the largest portion of the City's net position of \$657.0 million or 59.4 percent. 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 proceeds from the sale of capital assets are not used to liquidate these liabilities.
- External restrictions represent \$207.7 million or 18.8 percent of net position and are subject to various external restrictions on how they may be used. This component of the net position has been externally imposed by creditors, grantors, contributions or laws and regulations of other governments; or imposed by law through enabling legislation or constitutional provisions.
- The remaining unrestricted net position of \$240.8 million or 21.8 percent 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 2015-16 and FY 2014-15 is summarized below. Reasons for the changes are discussed in the following sections for governmental activities and business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

Analysis of Net Position, Continued

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

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues:						
Charges for services	\$ 47,460	\$ 44,723	\$ 114,509	\$ 112,294	\$ 161,969	\$ 157,017
Operating grants and contributions	12,861	18,823	3,776	5,133	16,637	23,956
Capital grants and contributions	16,286	34,268	3,562	2,945	19,848	37,213
General revenues:						
Property taxes	30,646	29,573	-	-	30,646	29,573
In lieu of sales tax	8,775	9,816	-	-	8,775	9,816
Utility user taxes	33,379	32,921	-	-	33,379	32,921
Sales and use taxes (City levied)	39,070	37,208	-	-	39,070	37,208
Franchise taxes	12,397	12,380	-	-	12,397	12,380
Business licenses	11,995	10,805	-	-	11,995	10,805
Hotel/motel room taxes	2,711	2,378	-	-	2,711	2,378
Document transfer taxes	856	587	-	-	856	587
Other taxes	1,801	930	1,239	974	3,040	1,904
Motor vehicle fees in lieu	20,354	19,602	-	-	20,354	19,602
Sales and use taxes (State levied)	45,097	36,904	-	-	45,097	36,904
Other shared revenue	46	49	-	-	46	49
Investment earnings	4,728	1,532	2,653	1,172	7,381	2,704
Miscellaneous	7,303	18,646	-	-	7,303	18,646
Loss on sale of capital assets	568	(13,214)	-	(3,300)	568	(16,514)
Total revenues	296,333	297,931	125,739	119,218	422,072	417,149
Expenses						
General government	39,608	35,577	-	-	39,608	35,577
Public safety	169,015	123,403	-	-	169,015	123,403
Public works	36,344	37,685	-	-	36,344	37,685
Library	10,406	9,098	-	-	10,406	9,098
Parks and recreation	21,620	20,801	-	-	21,620	20,801
Interest and fiscal charges	2,216	3,401	-	-	2,216	3,401
Water utility	-	-	48,001	47,474	48,001	47,474
Wastewater utility	-	-	58,665	56,153	58,665	56,153
Stormwater utility	-	-	6,601	7,084	6,601	7,084
Central parking district	-	-	5,384	5,026	5,384	5,026
Other	-	-	3,116	3,375	3,116	3,375
Total expenses	279,209	229,965	121,767	119,112	400,976	349,077
Increase/(decrease) in net position before transfers	17,124	67,966	3,972	106	21,096	68,072
Transfers	(297)	383	297	(383)	-	-
Extraordinary gain	-	273,965	-	9,548	-	283,513
Change in net position	16,827	342,314	4,269	9,271	21,096	351,585
Net position, beginning, original	619,342	748,336	465,125	510,599	1,084,467	1,258,935
Prior period adjustment		(471,308)		(54,745)		(526,053)
Net position, beginning, as restated	619,342	277,028	465,125	455,854	1,084,467	732,882
Net position, end of year	\$ 636,169	\$ 619,342	\$ 469,394	\$ 465,125	\$ 1,105,563	\$ 1,084,467

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

Analysis of Net Position, Continued

Governmental activities: The change in net position decreased by \$325.9 million or 95.2 percent compared to the prior fiscal year due to these significant variances:

- The primary reason for the decrease was due to prior year implementation of GASB Statement No. 58 and 68 on one-time extraordinary items or gains and losses resulting from the re-measurement of the City's liabilities and assets from bankruptcy plan of adjustments and pension obligation by \$273.9 million.
- Total governmental activities expenses have increased by \$49.2 million or 21.4 percent primarily due to the increase in the public safety expenditures compared to the prior fiscal year for the implementation of the Marshall Plan.
- Total governmental activities revenues have decreased by \$2.0 million or 0.7 percent compared to the prior fiscal year. The decreases were mostly attributable to grant program revenues on capital projects.

Business-type activities: The change in net position decreased by \$5.0 million or 54.0 percent compared to the prior fiscal year due to these significant variances:

- The primary reason for the decrease was due to prior year implementation of GASB Statement No. 58 and 68 on one-time extraordinary items or gains and losses resulting from the re-measurement of the City's liabilities on pension obligation by \$9.5 million.
- Total business-type revenues have increased by \$6.5 million or 5.5 percent compared to the prior fiscal year. The increase was due to a prior year one-time loss on the sale of capital assets in the Parking Authority of \$3.3 million and an increase in program revenues and investment earnings of \$3.2 million.
- Total business-type activity expenses increased by \$2.6 million or 2.2 percent compared to the prior fiscal year and is mostly attributable to the capital maintenance and infrastructure replacement in the Wastewater Fund that had been deferred for several years.

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.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued

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

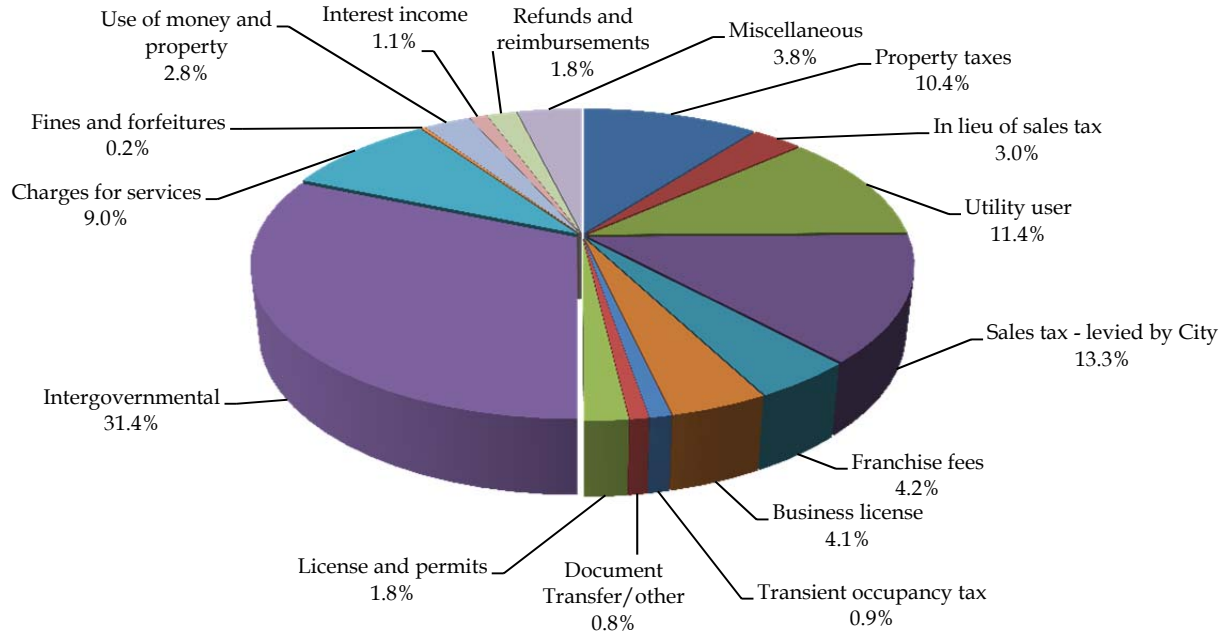
As of June 30, 2016, the City's governmental funds reported a combined ending fund balances of \$216.1 million, an increase of \$39.6 million compared to the prior fiscal year. The total fund balance of the governmental funds consists of the following:

- The non-spendable fund balance of \$2.6 million were amounts that inherently cannot be spent such as inventories and prepaid items. Also, long-term loans and notes receivable, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Restricted fund balance of \$125.6 million that is based on restrictions imposed by external parties or enabling legislation.
- Committed fund balance of \$49.1 million was constrained for a specific purpose by the City Council through resolution. It would require action by the same group to remove or change the constraints placed on the resources.
- Assigned fund balance of \$5.4 million was constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. The amount reported as assigned should not result in a deficit in the unassigned fund balance.
- The unassigned fund balance of \$33.3 million is the working capital reserve established in the Reserve and Fund Balance Policy-General Fund to accommodate normal fluctuations in the timing of revenues and unforeseen operational costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued

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



Revenue by Source	2016		2015		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Property taxes	\$ 30,646	10.4%	\$ 29,573	9.7%	\$ 1,073	3.6%
In lieu of sales tax	8,775	3.0%	9,816	3.2%	(1,041)	-10.6%
Utility user	33,379	11.4%	32,921	10.7%	458	1.4%
Sales tax - levied by City	39,070	13.3%	37,208	12.1%	1,862	5.0%
Franchise fees	12,397	4.2%	12,380	4.0%	17	0.1%
Business license	11,995	4.1%	10,805	3.5%	1,190	11.0%
Transient occupancy tax	2,711	0.9%	2,378	0.8%	333	14.0%
Document Transfer/other	2,391	0.8%	1,517	0.5%	874	57.6%
License and permits	5,347	1.8%	4,398	1.4%	949	21.6%
Intergovernmental	92,264	31.4%	100,506	32.8%	(8,242)	-8.2%
Charges for services	26,473	9.0%	21,351	7.0%	5,122	24.0%
Fines and forfeitures	624	0.2%	3,814	1.2%	(3,190)	-83.6%
Use of money and property	8,172	2.8%	9,318	3.0%	(1,146)	-12.3%
Interest income	3,088	1.1%	916	0.3%	2,172	237.1%
Refunds and reimbursements	5,188	1.8%	12,710	4.1%	(7,522)	-59.2%
Miscellaneous	11,246	3.8%	16,674	5.4%	(5,428)	-32.6%
Total	\$ 293,766	100.0%	\$ 306,285	100.0%	\$ (12,519)	-4.1%

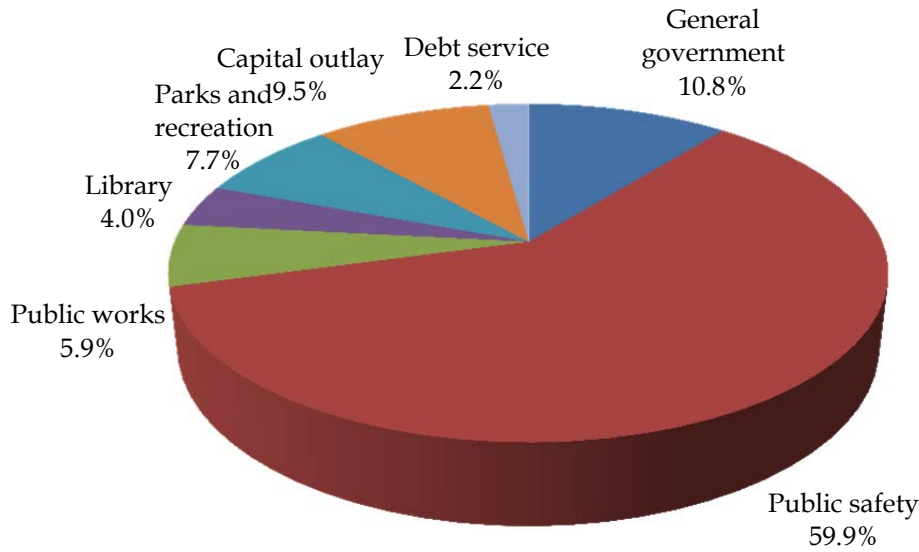
FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued

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

- Intergovernmental, refunds and reimbursement revenues (not including sales taxes levied by the State) have decreased by \$15.7 million compared to the prior fiscal year mainly due to decreased multi-year grant revenues to fund the Capital Improvement Projects.
- An increase in charges for services of \$5.1 million that was offset by a decrease in fines and forfeitures of \$3.2 million.
- An increase in business license revenues of \$1.2 million. This increase reflects, in part, growth in economic activity and increased compliance due to additional efforts by City staff in collaboration with our outside contract collection services.

Expenditures - The following table presents expenditures by function compared with the prior fiscal year:



Expenditures by Function	2016		2015		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	\$ 27,229	10.8%	\$ 34,652	13.2%	\$ (7,423)	-21.4%
Public safety	150,853	59.9%	141,543	54.0%	9,310	6.6%
Public works	14,861	5.9%	14,152	5.4%	709	5.0%
Library	10,107	4.0%	9,880	3.8%	227	2.3%
Parks and recreation	19,295	7.7%	19,094	7.3%	201	1.1%
Capital outlay	23,857	9.5%	31,345	12.0%	(7,488)	-23.9%
Debt service	5,444	2.2%	11,446	4.4%	(6,002)	-52.4%
Total	\$ 251,646	100.0%	\$ 262,112	100.0%	\$ (10,466)	-4.0%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued

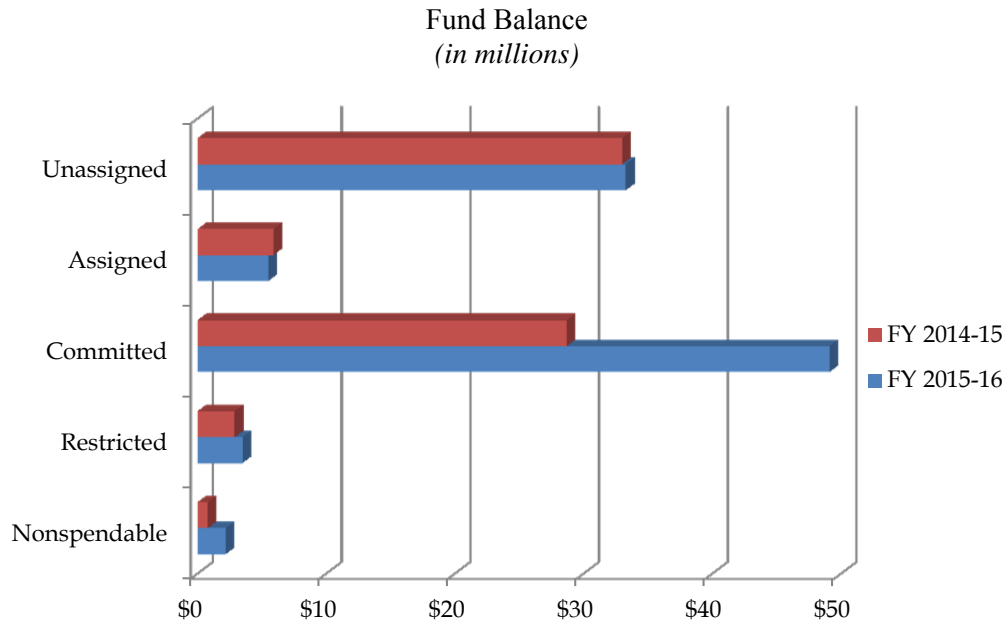
The following bullets provide an explanation of the expenditures that changed significantly compared with the prior fiscal year.

- Public safety expenditures have increased by \$9.3 million compared to the prior fiscal year due to continued implementation of the Marshall Plan.
- Capital outlay expenditures decreased by \$7.5 million compared to the prior fiscal year due to the winding down of various multi-year capital improvement projects.
- General government and debt service expenditures decreased by \$7.4 and \$6.0 million, respectively, compared to the prior fiscal year. The City exited the bankruptcy proceedings on February 28, 2015, which resulted in diminishing bankruptcy costs and re-measurement of the City's debt obligation that contributed to the reduced costs of debt service payment obligations.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued

General Fund



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

General Fund revenues were \$224.1 million at the close of June 30, 2016, an increase of \$11.5 million compared to the prior fiscal year. The following provides an explanation of significant changes in General Fund revenues compared with the prior fiscal year:

- Sales tax revenues collected at the point of sale and Measure A increased by \$1.4 million. The increase was due to the robust performance in the auto sales, restaurant, business and industry categories.
- Business license and other intergovernmental revenues increased by \$2.2 million. This increase reflects in part, growth in economic activity and increased compliance due to additional efforts by City staff in collaboration with our outside contract collection services.

General Fund expenditures were \$185.3 million, an increase of \$5.7 million compared to the prior fiscal year. The increase was driven by additional Police Department expenditures for salary and benefits due to the continued implementation of the Marshall Plan. This increase was offset by decreased expenditures in General Government as a result of diminishing bankruptcy legal and administration costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued

Proprietary Funds

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. At the end of June 30, 2016, the net position of business-type activities was \$469.3 million, an increase of \$4.3 million or 0.9 percent compared to the prior fiscal year.

The assets and deferred outflows of resources decreased by \$6.2 million. Of this amount, the cash and investments and other assets, including deferred outflows of resources, increased by \$12.2 million and capital assets decreased by \$18.5 million, primarily due to the disposal of capital assets.

The liabilities and deferred inflows of resources decreased by \$10.5 million due primarily to the principal payments made on debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's FY 2015-16 General Fund Adopted Budget was the first budget adopted after the bankruptcy court's approval of the City's Plan of Adjustment. The balanced and fiscally prudent budget plan strengthened reserves while making incremental service-level enhancements consistent with Council-adopted strategic priorities. This analysis should be read in conjunction with the General Fund Budgetary Information on page 135.

The General Fund's original budgeted revenue and transfers-in totaled \$218.1 million. These revenues were amended to increase slightly during the year to reflect new sources of one-time Refund and Reimbursement revenues and a transfer for entertainment venues capital projects. The revised budgeted revenues and transfers-in for FY 2015-16 were \$218.3 million.

The General Fund's original budgeted expenditures and transfers-out were \$219.3 million; the amended budget was increased by \$9.3 million. Included in this amount is \$3.7 million for encumbrances not fully expended during the prior fiscal year. City Council authorized \$3.5 million in additional one-time expenditures on December 8, 2015, that included transfers to workers comp, retirement internal service funds, and capital outlay. Capital outlay carry over from prior year accounted for another \$1.3 million and non-departmental bankruptcy administration was another \$0.4 million. Unanticipated adjustments from labor agreements approved after the budget was adopted increased the expenditure budget by \$0.3 million. After these amendments, the approved budgeted expenditures and transfers-out for FY 2015-16 were \$228.7 million.

GENERAL FUND BUDGETARY HIGHLIGHTS, CONTINUED

Actual FY 2015-16 General Fund revenues and transfers-in were higher than the approved budget by \$5.8 million or approximately 2.6%. The largest element of this variance was higher than budgeted revenues in Interest Income of \$1.3 million, reflecting an increase the average level of General Fund cash and a modification to the treatment of fair market value. Sales tax revenues levied by City and by State were greater than the budget by \$2.3 million as a result of economic recovery. Business license tax revenues also reflected a stronger economy with receipts greater than the budget by \$1.3 million. Many other revenue categories also finished above budget including increases of \$536,000 in Hotel/Motel Room Tax, \$319,000 in Refunds and Reimbursements, and \$566,000 in Other Revenues from the disbursement of Successor Agency excess property tax increment to the City. The remaining variance is the offsetting results of over and under collections across other revenue accounts in the General Fund.

Actual expenditures and transfers-out were lower than the final approved budget appropriations by \$24.9 million or 10.9%. General Government departments achieved a savings of \$8.7 million, \$8.2 million was saved in Public Safety largely attributable to salary savings due to vacant positions. The remaining \$8.2 million was due to Public Works, Library, Parks and Recreation and Capital Outlay. Approximately \$7.7 million of the savings was the result of higher than anticipated vacancies. The City Council has authorized \$8.4 million of the unspent funds for planned activities to continue into the FY 2016-17 budget. In addition, unspent capital outlay of \$1.8 million and \$4.5 million in encumbrances which were not fully expended by June 30, 2016 will roll forward.

The City's General Fund balance at June 30, 2016 is \$93.9 million on a budgetary basis, which is an increase of \$21.6 million from the prior year. The intentional rebuilding of the fund balance is the result of bankruptcy restructuring of debt, reductions to salaries and benefits, various department operating cuts, and high levels of staff vacancies. The vacancy savings are one-time savings and are not expected to continue once services are restored and 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 and the Fund Balance and Reserve policy adopted by City Council on March 29, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, 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 1.6 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION, CONTINUED

Capital Assets, Continued

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:

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 43,039	\$ 40,408	\$ 13,090	\$ 13,090	\$ 56,129	\$ 53,498
Intangible Assets	4,355	4,355	750	750	5,105	5,105
Building and Improvements	198,958	205,038	704,146	709,938	903,104	914,976
Machinery and Equipment	19,948	17,978	4,755	3,737	24,703	21,715
Infrastructure	373,053	385,843	-	-	373,053	385,843
Construction in Progress	108,807	100,294	7,938	21,714	116,745	122,008
Total	\$ 748,160	\$ 753,916	\$ 730,679	\$ 749,229	\$ 1,478,839	\$ 1,503,145

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

Bond Indebtedness

At the end of the fiscal year, the City’s total outstanding net bonded debt including bankruptcy settlements was \$436.1 million. Of this amount, \$75.4 million is related to governmental activities, and \$360.7 million are debt obligations of business-type activities.

Governmental activities bonded indebtedness decreased by \$1.8 million due to scheduled principal payments and amortization of bond premiums.

Business-type activities bonded indebtedness, as restated, decreased by \$8.7 million due to scheduled principal payments and amortization of bond premium insurance and discounts.

Governmental outstanding net bonded debt of \$75.4 million includes: \$53.6 million in settlement liability to the bond insurer (Assured Guaranty) for 2007 bonds adjusted in bankruptcy, \$11.5 million of certificates of participation for various former redevelopment housing projects, and \$10.3 million of lease revenue bonds for the City’s Stewart/Eberhardt Building (SEB).

Business-type activities outstanding net bonded debt obligations of \$360.7 million includes \$248.8 million of revenue bonds of the Water Utility, \$75.8 million in certificates of participation for the Wastewater Utility, and \$25.2 million in settlement liability for the Parking Authority on 2004 bonds adjusted in bankruptcy. Additionally, Marina operations have a loan obligation of \$10.9 million through the State Department of Parks and Recreation. This obligation no longer accrues interest due to the bankruptcy settlement. The operations of the Marina are subsidized on an annual basis from the General Fund. Payments on this loan will not commence until subsidization is no longer needed.

CAPITAL ASSETS AND DEBT ADMINISTRATION, CONTINUED

Bond Indebtedness, Continued

Successor Agency bonded debt of \$113.0 million is reported separately in a Private Purpose Trust Fund. The balance outstanding at June 30, 2016, includes \$73.0 million of revenue bonds for various former redevelopment and housing projects referred to as the Strong Neighborhoods Initiative and \$40.0 million of settlement liability for the 2004 bonds adjusted in bankruptcy.

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

Economic Factors and Next Year's Budget

As the local economy continues to recover, the City of Stockton is planning to use improved revenues, primarily from property tax and sales tax, to maintain essential services, fund a 17% working capital reserve, set aside funds for known contingencies, 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 2015-16 Annual Budget was developed with an emphasis on the City's newly revised priorities, strategic goals and targeted areas that include; Public Safety, Fiscal Sustainability, Organizational Development, Economic Development, Youth, Infrastructure, and Public Relations/Image. The FY 2016-17 Annual Budget continues to build on these goals. Significant changes in the City's FY 2016-17 Annual Budget are as follows.

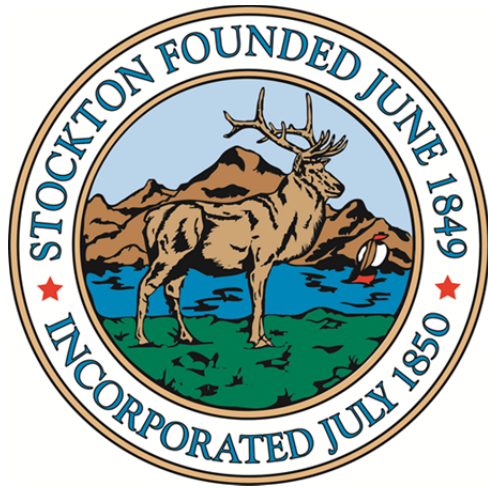
- Three-year labor contracts with all bargaining units were negotiated and went into effect on July 1, 2016. The adopted budget and subsequent budget amendments incorporate additional costs associated with these contracts. The City expects these compensation changes will improve employee retention and reduce staff vacancies.
- Expenditures for Marshall Plan police officers and support, supplies and equipment have increased by \$5.0 million. These resources are intended to reduce crime and improve safety services to the citizens of Stockton. The budget includes funding for the final 40 police officer positions in the multi-year implementation plan to increase sworn staffing by 120 police officers.
- One-time funds of \$3.8 million are budgeted for Council Strategic Priorities such as economic development incentives, homelessness programs, street resurfacing, and employment activities.

Requests for Information

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

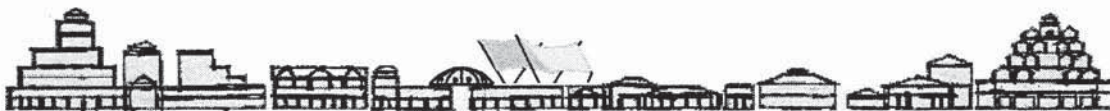
Financial reports are available on the City's website at:

<http://www.stocktongov.com/government/departments/adminServices/finRep.html>

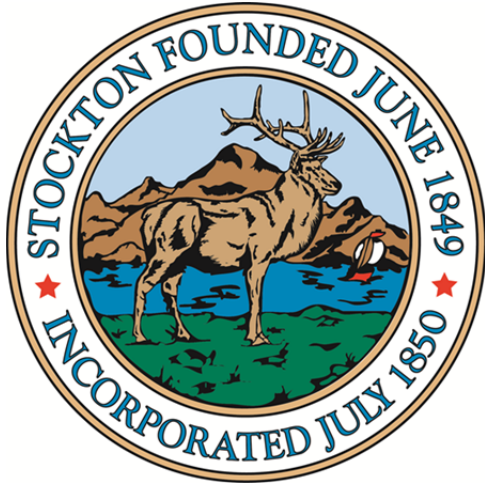




CITY OF STOCKTON

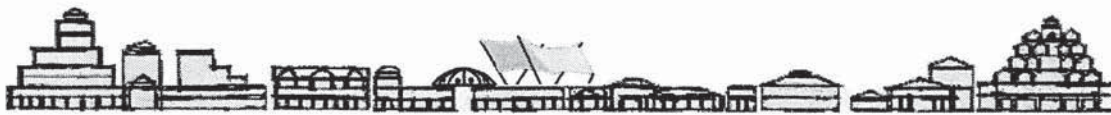


BASIC FINANCIAL STATEMENTS

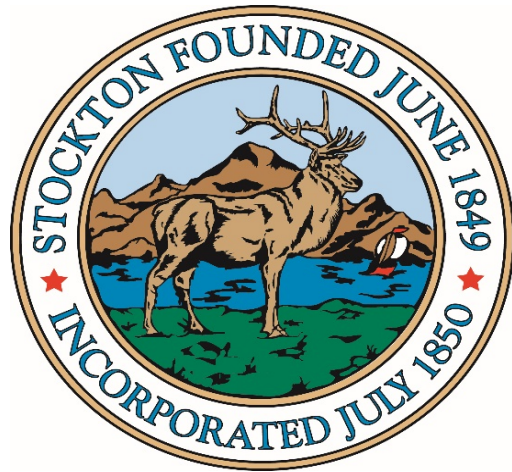




CITY OF STOCKTON



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Stockton
Statement of Net Position
June 30, 2016

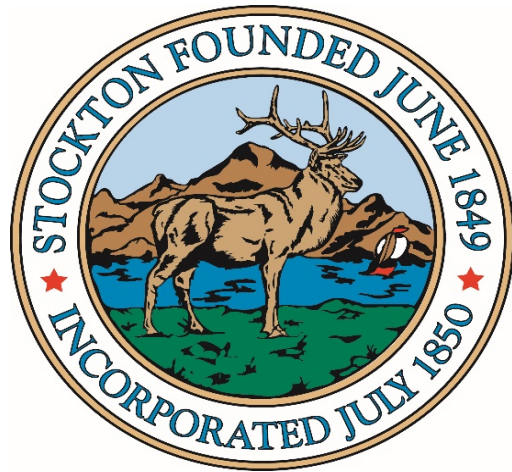
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 286,937,783	\$ 91,427,497	\$ 378,365,280
Restricted cash and investments	3,115,670	54,617,730	57,733,400
Interest receivable	432,330	365,539	797,869
Accounts receivable, net	15,787,114	16,183,031	31,970,145
Due from other governments, net	32,187,180	-	32,187,180
Inventory of supplies	438,241	1,684,291	2,122,532
Other assets	2,335,686	869,678	3,205,364
Prepaid items	185,051	-	185,051
Loans to Successor Agency, net	2,495,331	-	2,495,331
Loans to property owners, net	131,966,735	-	131,966,735
Capital assets:			
Nondepreciable	156,201,235	21,778,934	177,980,169
Depreciable, net	591,959,357	708,900,856	1,300,860,213
Total assets	<u>1,224,041,713</u>	<u>895,827,556</u>	<u>2,119,869,269</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt	483,852	2,361,485	2,845,337
Pensions related deferred outflows of resources	28,942,596	4,166,888	33,109,484
Total deferred outflows of resources	<u>29,426,448</u>	<u>6,528,373</u>	<u>35,954,821</u>
LIABILITIES			
Accounts payable and accrued expenses	8,809,886	4,077,595	12,887,481
Accrued payroll and benefits	2,728,658	1,022,762	3,751,420
Accrued interest	776,619	5,755,927	6,532,546
Deposits and other liabilities	2,837,788	1,649,136	4,486,924
Unearned revenue	3,426,475	-	3,426,475
Long-term liabilities:			
Due within one year			
Compensated absences	5,842,827	752,202	6,595,029
Claims payable	10,253,906	-	10,253,906
Long-term debt	3,074,541	11,021,196	14,095,737
Due in more than one year			
Compensated absences	5,126,890	323,092	5,449,982
Claims payable	59,418,260	-	59,418,260
Long-term debt	90,807,764	349,675,557	440,483,321
Aggregate net pension liability	343,345,865	46,344,649	389,690,514
Total liabilities	<u>536,449,479</u>	<u>420,622,116</u>	<u>957,071,595</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred rent	444,091	-	444,091
Pensions related deferred inflows of resources	80,404,944	12,340,423	92,745,367
Total deferred inflows of resources	<u>80,849,035</u>	<u>12,340,423</u>	<u>93,189,458</u>
NET POSITION			
Net investment in capital assets	287,077,407	369,983,039	657,060,446
Restricted	153,086,852	54,617,730	207,704,582
Unrestricted	196,005,388	44,792,621	240,798,009
Total net position	<u>\$ 636,169,647</u>	<u>\$ 469,393,390</u>	<u>\$ 1,105,563,037</u>

City of Stockton
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 39,522,720	\$ 15,830,787	\$ -	\$ -
Public safety	169,014,459	13,662,670	6,655,019	-
Public works	36,344,214	8,291,822	36,809	16,285,835
Library	10,406,294	517,458	6,168,874	-
Parks and recreation	21,705,138	9,157,721	-	-
Interest and fiscal charges	2,215,639	-	-	-
Total governmental activities	279,208,464	47,460,458	12,860,702	16,285,835
Business-type activities:				
Water utility	48,001,073	33,276,808	3,776,328	1,298,336
Wastewater utility	58,665,211	68,938,184	-	2,263,464
Stormwater utility	6,600,512	5,572,586	-	-
Parking Authority	5,383,881	4,971,200	-	-
Other	3,116,430	1,750,243	-	-
Total business-type activities	121,767,107	114,509,021	3,776,328	3,561,800
Total	\$ 400,975,571	\$ 161,969,479	\$ 16,637,030	\$ 19,847,635

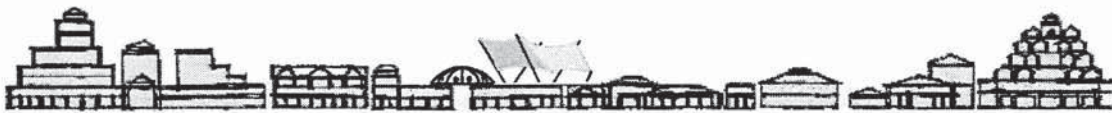
City of Stockton
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Change in Net Position		
	Governmental Activities	Business-Type Activities	Totals
PRIMARY GOVERNMENT:			
Governmental activities:			
General government	\$ (23,691,933)		\$ (23,691,933)
Public safety	(148,696,770)		(148,696,770)
Public works	(11,729,748)		(11,729,748)
Library	(3,719,962)		(3,719,962)
Parks and recreation	(12,547,417)		(12,547,417)
Interest and fiscal charges	(2,215,639)		(2,215,639)
Total governmental activities	(202,601,469)		(202,601,469)
Business-type activities:			
Water utility		\$ (9,649,601)	(9,649,601)
Wastewater utility		12,536,437	12,536,437
Stormwater utility		(1,027,926)	(1,027,926)
Parking Authority		(412,681)	(412,681)
Other		(1,366,187)	(1,366,187)
Total business-type activities		80,042	80,042
Total	(202,601,469)	80,042	(202,521,427)
General revenues and transfers:			
General revenues:			
Taxes:			
Property	30,646,304	-	30,646,304
In lieu of sales tax	8,774,722	-	8,774,722
Utility user	33,378,793	-	33,378,793
Sales - levied by City	39,070,317	-	39,070,317
Franchise fees	12,396,693	-	12,396,693
Business license	11,995,481	-	11,995,481
Hotel/motel room	2,710,538	-	2,710,538
Document transfer	856,442	-	856,442
Other	1,801,139	1,238,709	3,039,848
Shared revenue:			
Vehicle license fees	20,353,841	-	20,353,841
Sales and use tax levied by state	45,097,203	-	45,097,203
Other	45,460	-	45,460
Investment earnings	4,727,945	2,653,041	7,380,986
Miscellaneous	7,303,280	-	7,303,280
Gain from disposal of capital assets	568,419	-	568,419
Transfers	(296,971)	296,971	-
Total general revenues and transfers	219,429,606	4,188,721	223,618,327
Changes in net position	16,828,137	4,268,763	21,096,900
Net position, beginning of year	619,341,510	465,124,627	1,084,466,137
Net position, end of year	\$ 636,169,647	\$ 469,393,390	\$ 1,105,563,037

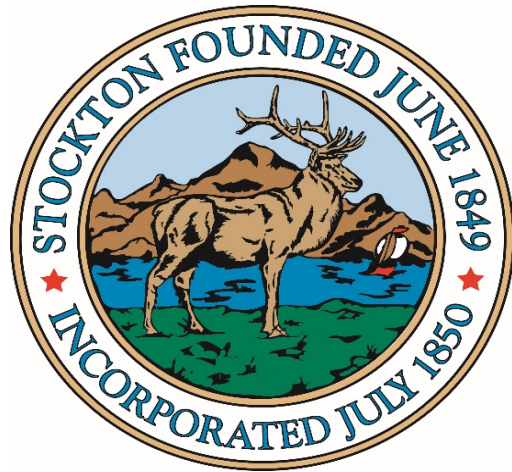




CITY OF STOCKTON



FUND FINANCIAL STATEMENTS



GOVERNMENT FUND FINANCIAL STATEMENTS

Governmental Fund Types

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

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

The City's major governmental funds include:

General Fund

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

HOME Program Loans Special Revenue Fund

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

Low and Moderate-Income Housing City Loans Special Revenue Fund

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

Capital Improvement Capital Projects Fund

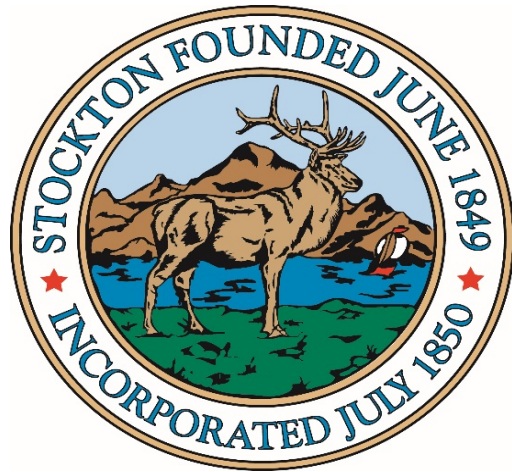
To account for the acquisition, construction and improvement of capital facilities as required by City Council action or state law in which the projects are financed by grants, lease proceeds and transfers from other City governmental funds.

City of Stockton
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			
	General Fund	Special Revenue		Capital Projects
		Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
ASSETS				
Cash and investments	\$ 71,163,497	\$ 231,039	\$ 3,190,896	\$ 23,622,656
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	222,048	-	-	14,638
Accounts and other receivables	14,399,105	15,290	27,673	-
Advance deposits	562,357	-	-	500
Due from other governments, net	21,837,836	-	-	3,324,152
Inventory of supplies	438,241	-	-	-
Prepaid items	68,028	-	-	-
Loans to Successor Agency	-	-	2,995,331	-
Loans to property owners, net	-	42,215,972	57,750,103	-
Total assets	\$ 108,691,112	\$ 42,462,301	\$ 63,964,003	\$ 26,961,946
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,351,637	\$ 15,485	\$ -	\$ 1,625,077
Accrued payroll and benefits	1,142,845	7,108	-	56,013
Due to other funds	-	-	-	-
Due to other governments	1,017,276	-	-	63,074
Due to other agencies	299,442	-	-	-
Deposits and other liabilities	1,014,010	-	-	-
Unearned revenue	176,479	-	-	197,224
Total liabilities	8,001,689	22,593	-	1,941,388
Deferred Inflows of Resources:				
Unavailable revenue - Loans to property owners	-	42,215,972	57,750,103	-
Unavailable revenue - Other	6,699,539	-	-	2,997,459
Deferred rent	346,212	-	-	-
Total deferred inflows of resources	7,045,751	42,215,972	57,750,103	2,997,459
Fund Balances:				
Nonspendable	2,213,891	-	-	-
Restricted	3,549,021	223,736	6,213,900	22,023,099
Committed	49,087,888	-	-	-
Assigned	5,466,870	-	-	-
Unassigned	33,326,002	-	-	-
Total fund balances	93,643,672	223,736	6,213,900	22,023,099
Total liabilities, deferred inflows of resources and fund balances	\$ 108,691,112	\$ 42,462,301	\$ 63,964,003	\$ 26,961,946

City of Stockton
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

	Other Governmental	Total Governmental Funds
ASSETS		
Cash and investments	\$ 91,436,748	\$ 189,644,836
Cash and investments with fiscal agents	2,262,188	2,262,188
Receivables, net:		
Interest	195,644	432,330
Accounts and other receivables	772,205	15,214,273
Advance deposits	-	562,857
Due from other governments, net	7,025,192	32,187,180
Inventory of supplies	-	438,241
Prepaid items	-	68,028
Loans to Successor Agency	-	2,995,331
Loans to property owners, net	32,000,660	131,966,735
Total assets	\$ 133,692,637	\$ 375,771,999
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,654,937	\$ 7,647,136
Accrued payroll and benefits	1,119,078	2,325,044
Due to other funds	449,347	449,347
Due to other governments	3,993	1,084,343
Due to other agencies	-	299,442
Deposits and other liabilities	390,889	1,404,899
Unearned revenue	3,052,772	3,426,475
Total liabilities	6,671,016	16,636,686
Deferred Inflows of Resources:		
Unavailable revenue - Loans to property owners	32,000,660	131,966,735
Unavailable revenue - Other	1,025,457	10,722,455
Deferred rent	-	346,212
Total deferred inflows of resources	33,026,117	143,035,402
Fund Balances:		
Nonspendable	372,879	2,586,770
Restricted	93,888,910	125,898,666
Committed	-	49,087,888
Assigned	-	5,466,870
Unassigned	(266,285)	33,059,717
Total fund balances	93,995,504	216,099,911
Total liabilities, deferred inflows of resources and fund balances	\$ 133,692,637	\$ 375,771,999



City of Stockton
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds \$ 216,099,911

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Non-depreciable, (net of \$2,400,131 capital assets reported in the Internal Service Funds)	153,801,104
Depreciable (net of accumulated depreciation \$319,609,062, and net capital assets \$17,475,881 reported in the Internal Service Funds)	574,483,476

Prepaid insurance related to bond issuance are not available for current period and, therefore, are expensed in the governmental funds when incurred.

185,051

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Government-Wide Statement of Net Position.

44,659,725

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 \$490,495 reported in Internal Service Funds)	(10,479,222)
Bonds payable and other long-term debt (net of \$3,648,286 reported in Internal Service Funds)	(90,293,462)
Unamortized bond discount	59,443
Deferred amount on refunding	483,852
Accrued interest payable (net of \$65,411 reported in Internal Service Funds)	(711,208)

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.

(343,345,865)

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.

28,942,596

Difference between projected and actual earnings on pension plan investments are reported in the Government-Wide Statement of Net Position.

(80,404,944)

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	131,966,735
Unavailable revenue - Others	10,722,455

Net position of governmental activities \$ 636,169,647

City of Stockton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Capital Projects
	General Fund	Special Revenue		
		Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
REVENUES:				
Taxes:				
Property	\$ 30,646,304	\$ -	\$ -	\$ -
In lieu of sales tax	8,774,722	-	-	-
Utility user	33,378,793	-	-	-
Sales - levied by City	29,259,106	-	-	-
Franchise fees	12,396,693	-	-	-
Business license	10,669,613	-	-	-
Hotel/motel room	2,710,538	-	-	-
Document transfer	856,442	-	-	-
Other	1,534,854	-	-	-
Licenses and permits	483,601	-	-	-
Intergovernmental:				
Federal grants and subsidies	123,388	413,274	-	1,922,047
Sales and use tax - levied by state	40,209,735	-	-	-
Other governmental	27,298,374	-	-	466,296
Charges for services	9,576,356	-	-	-
Fines and forfeitures	528,472	-	-	-
Use of money and property	7,028,962	301,605	84,307	4,253
Investment income:				
Interest income	1,529,705	1,097	22,772	103,657
Refunds and reimbursements	2,650,020	-	-	108,233
Miscellaneous	4,528,135	-	4,102,444	604,206
Total revenues	224,183,813	715,976	4,209,523	3,208,692
EXPENDITURES:				
Current:				
General government	15,727,951	-	2,126,659	-
Public safety	134,928,788	-	-	-
Public works	4,649,711	-	-	-
Library	10,043,133	-	-	-
Parks and recreation	16,723,253	-	-	-
Capital outlay	3,247,199	804,048	1,047,926	10,813,057
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	185,320,035	804,048	3,174,585	10,813,057
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,863,778	(88,072)	1,034,938	(7,604,365)
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	378,993	-	-	-
Transfers in	988,531	-	-	11,635,000
Transfers out	(17,915,813)	-	(807,509)	(50,290)
Total other financing sources (uses)	(16,548,289)	-	(807,509)	11,584,710
CHANGE IN FUND BALANCES	22,315,489	(88,072)	227,429	3,980,345
FUND BALANCES:				
Beginning of year	71,328,183	311,808	5,986,471	18,042,754
End of year	\$ 93,643,672	\$ 223,736	\$ 6,213,900	\$ 22,023,099

City of Stockton
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2016

	Other Governmental	Total Governmental Funds
REVENUES:		
Taxes:		
Property	\$ -	\$ 30,646,304
In lieu of sales tax	-	8,774,722
Utility user	-	33,378,793
Sales - levied by City	9,811,211	39,070,317
Franchise fees	-	12,396,693
Business license	1,325,868	11,995,481
Hotel/motel room	-	2,710,538
Document transfer	-	856,442
Other	-	1,534,854
Licenses and permits	4,862,949	5,346,550
Intergovernmental:		
Federal grants and subsidies	8,011,673	10,470,382
Sales and use tax - levied by state	4,887,468	45,097,203
Other governmental	8,931,576	36,696,246
Charges for services	16,897,051	26,473,407
Fines and forfeitures	95,142	623,614
Use of money and property	753,134	8,172,261
Investment income:		
Interest income	1,430,594	3,087,825
Refunds and reimbursements	2,429,264	5,187,517
Miscellaneous	2,011,566	11,246,351
Total revenues	61,447,496	293,765,500
EXPENDITURES:		
Current:		
General government	9,289,708	27,144,318
Public safety	15,924,025	150,852,813
Public works	10,211,123	14,860,834
Library	63,700	10,106,833
Parks and recreation	2,656,869	19,380,122
Capital outlay	7,945,200	23,857,430
Debt service:		
Principal retirement	3,324,497	3,324,497
Interest and fiscal charges	2,119,225	2,119,225
Total expenditures	51,534,347	251,646,072
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,913,149	42,119,428
OTHER FINANCING SOURCES (USES):		
Sale of capital assets	-	378,993
Transfers in	3,292,575	15,916,106
Transfers out	(36,035)	(18,809,647)
Total other financing sources (uses)	3,256,540	(2,514,548)
CHANGE IN FUND BALANCES	13,169,689	39,604,880
FUND BALANCES:		
Beginning of year	80,825,815	176,495,031
End of year	\$ 93,995,504	\$ 216,099,911

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, 2016

Net change in fund balances - Total Governmental Funds: \$ 39,604,880

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	12,378,222
Donated capital assets	385,293
Capital asset disposals, net	(2,335,183)
Depreciation and amortization expense (net of \$3,987,743 reported in Internal Service funds)	(20,885,820)

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:

Reduction of state animal control obligation	651,501
Repayment of principal	3,324,497
Amortization of prepaid insurance related to costs of issuance	(10,917)

Internal service funds are used by management to charge the costs of certain activities, such as central garage, equipment and insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. Excluding extraordinary items as a result of remeasurement of liabilities (\$263,111,865). 13,930,757

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	(490,370)
Amortization of bond discounts and premiums and deferred amount on refunding	(35,545)
Change in accrued interest	80,003
Unavailable revenue - Loans to property owners	2,158,272
Unavailable revenue - Others	1,967,985
Accounting adjustment pension expense	(33,895,438)

Change in net position of governmental activities \$ 16,828,137

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, 2016

ASSETS	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
Current assets:				
Cash and investments	\$ 28,357,489	\$ 54,109,473	\$ 5,759,453	\$ 2,758,927
Receivables, net:				
Interest	138,758	206,038	14,226	5,795
Accounts and other receivables	5,338,853	9,874,828	521,250	423,098
Due from other funds	-	-	-	-
Inventory of supplies	-	1,641,822	-	-
Deposits and advances	-	-	-	-
Prepaid insurance	304,097	545,457	453	-
Total current assets	34,139,197	66,377,618	6,295,382	3,187,820
Noncurrent assets:				
Restricted assets:				
Cash and investments	641,012	21,885,374	-	-
Cash and investments with fiscal agents	32,091,342	-	-	2
Capital assets, net:				
Nondepreciable	9,181,693	6,339,379	606,397	5,291,660
Depreciable, net	321,182,820	294,461,908	45,829,981	22,841,848
Total noncurrent assets	363,096,867	322,686,661	46,436,378	28,133,510
Total assets	397,236,064	389,064,279	52,731,760	31,321,330
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	114,924	2,246,561	-	-
Deferred contributions made after the measurement date	1,183,957	2,721,752	261,179	-
Total deferred outflows of resources	1,298,881	4,968,313	261,179	-

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2016

ASSETS	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
Current assets:			
Cash and investments	\$ 442,155	\$ 91,427,497	\$ 97,292,947
Receivables, net:			
Interest	722	365,539	-
Accounts and other receivables	25,002	16,183,031	572,841
Due from other funds	-	-	449,347
Inventory of supplies	42,469	1,684,291	-
Deposits and advances	-	-	1,159,000
Prepaid insurance	19,671	869,678	545,801
Total current assets	530,019	110,530,036	100,019,936
Noncurrent assets:			
Restricted assets:			
Cash and investments	-	22,526,386	-
Cash and investments with fiscal agents	-	32,091,344	853,482
Capital assets, net:			
Nondepreciable	359,805	21,778,934	2,400,131
Depreciable, net	24,584,299	708,900,856	17,475,881
Total noncurrent assets	24,944,104	785,297,520	20,729,494
Total assets	25,474,123	895,827,556	120,749,430
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt	-	2,361,485	-
Deferred contributions made after the measurement date	-	4,166,888	-
Total deferred outflows of resources	-	6,528,373	-

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2016

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
LIABILITIES				
Current liabilities:				
Accounts payable	582,996	2,856,566	290,368	221,989
Accrued payroll	264,614	642,599	91,581	22,860
Due to other governments	33,892	-	-	-
Deposits and other liabilities	1,379,318	6,646	100,000	62,752
Accrued interest	4,252,487	1,068,600	-	434,840
Capital lease obligation	-	-	-	-
Compensated absences - current	205,944	517,810	17,250	11,198
Self-insurance claims and judgments - current	-	-	-	-
Other long-term debt - current	6,832,681	4,074,981	-	113,534
Total current liabilities	13,551,932	9,167,202	499,199	867,173
Noncurrent liabilities:				
Loans from other funds, net	-	-	-	-
Compensated absences - long-term	104,757	204,911	7,166	6,258
Self-insurance claims and judgments - long-term	-	-	-	-
Capital lease obligations	-	-	-	-
Notes payable	-	-	-	-
Bonds payable	241,966,032	71,748,768	-	25,089,936
Net OPEB obligation	-	-	-	-
Net pension liability	13,183,896	30,206,060	2,954,693	-
Total noncurrent liabilities	255,254,685	102,159,739	2,961,859	25,096,194
Total liabilities	268,806,617	111,326,941	3,461,058	25,963,367
DEFERRED INFLOWS OF RESOURCES				
Deferred rent	-	-	-	-
Deferred amounts between projected and actual earning on plan investments	3,542,227	7,929,748	868,448	-
Total deferred inflows of resources	3,542,227	7,929,748	868,448	-
NET POSITION				
Net investment in capital assets	81,565,800	224,977,538	46,436,378	2,930,040
Restricted for capital projects	32,091,342	21,885,374	-	2
Restricted for debt service	641,012	-	-	-
Restricted for equipment replacement	-	-	-	-
Unrestricted (deficit)	11,887,947	27,912,991	2,227,055	2,427,921
Total net position	\$ 126,186,101	\$ 274,775,903	\$ 48,663,433	\$ 5,357,963

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2016

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
LIABILITIES			
Current liabilities:			
Accounts payable	89,607	4,041,526	1,162,750
Accrued payroll	1,108	1,022,762	403,614
Due to other governments	2,177	36,069	-
Deposits and other liabilities	100,420	1,649,136	49,104
Accrued interest	-	5,755,927	65,411
Capital lease obligation	-	-	422,894
Compensated absences - current	-	752,202	314,698
Self-insurance claims and judgments - current	-	-	10,253,906
Other long-term debt - current	-	11,021,196	-
Total current liabilities	193,312	24,278,818	12,672,377
Noncurrent liabilities:			
Loans from other funds, net	-	-	500,000
Compensated absences - long-term	-	323,092	175,797
Self-insurance claims and judgments - long-term	-	-	59,418,260
Capital lease obligations	-	-	3,225,392
Notes payable	10,870,821	10,870,821	-
Bonds payable	-	338,804,736	-
Net OPEB obligation	-	-	-
Net pension liability	-	46,344,649	-
Total noncurrent liabilities	10,870,821	396,343,298	63,319,449
Total liabilities	11,064,133	420,622,116	75,991,826
DEFERRED INFLOWS OF RESOURCES			
Deferred rent	-	-	97,879
Deferred amounts between projected and actual earnings on plan investments	-	12,340,423	-
Total deferred inflows of resources	-	12,340,423	97,879
NET POSITION			
Net investment in capital assets	14,073,283	369,983,039	16,227,726
Restricted for capital projects	-	53,976,718	-
Restricted for debt service	-	641,012	-
Restricted for equipment replacement	-	-	30,602,738
Unrestricted (deficit)	336,707	44,792,621	(2,170,739)
Total net position	\$ 14,409,990	\$ 469,393,390	\$ 44,659,725

City of Stockton
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
OPERATING REVENUES:				
Charges for services	\$ 32,542,168	\$ 67,448,941	\$ 5,461,848	\$ 4,931,998
Miscellaneous	734,640	1,489,243	110,738	39,202
Total operating revenues	33,276,808	68,938,184	5,572,586	4,971,200
OPERATING EXPENSES:				
Operation and maintenance	9,507,053	32,541,057	1,938,543	3,290,096
General and administrative	5,590,852	11,660,623	3,048,130	73,722
Depreciation and amortization	7,493,686	11,767,205	1,613,839	713,204
Purchased water	8,441,509	-	-	-
Total operating expenses	31,033,100	55,968,885	6,600,512	4,077,022
OPERATING INCOME (LOSS)	2,243,708	12,969,299	(1,027,926)	894,178
NON-OPERATING REVENUES (EXPENSES):				
Taxes	-	-	-	1,238,709
Grants and subsidies	3,776,328	-	-	-
Investment income:				
Interest income	1,175,374	1,330,337	99,186	43,814
Gain (loss) from disposal of capital assets	-	-	-	-
Interest expense and fiscal charges	(16,967,973)	(2,696,326)	-	(1,306,859)
Other non-operating revenues	-	-	-	-
Total non-operating revenues (expenses)	(12,016,271)	(1,365,989)	99,186	(24,336)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(9,772,563)	11,603,310	(928,740)	869,842
Capital contributions	1,298,336	2,263,464	-	-
Transfers in	-	-	-	1,000,000
Transfers out	(91,074)	(469,393)	(1,103)	(906,459)
CHANGES IN NET POSITION	(8,565,301)	13,397,381	(929,843)	963,383
NET POSITION:				
Beginning of year	134,751,402	261,378,522	49,593,276	4,394,580
End of year	\$ 126,186,101	\$ 274,775,903	\$ 48,663,433	\$ 5,357,963

City of Stockton
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2016

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
OPERATING REVENUES:			
Charges for services	\$ 1,065,712	\$ 111,450,667	\$ 109,029,302
Miscellaneous	684,531	3,058,354	212
Total operating revenues	1,750,243	114,509,021	109,029,514
OPERATING EXPENSES:			
Operation and maintenance	2,500,198	49,776,947	92,110,719
General and administrative	3,237	20,376,564	5,763,856
Depreciation and amortization	612,995	22,200,929	3,987,743
Purchased water	-	8,441,509	-
Total operating expenses	3,116,430	100,795,949	101,862,318
OPERATING INCOME (LOSS)	(1,366,187)	13,713,072	7,167,196
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	1,238,709	-
Grants and subsidies	-	3,776,328	-
Investment income:			
Interest income	4,330	2,653,041	1,640,120
Gain (loss) from disposal of capital assets	-	-	189,426
Interest expense and fiscal charges	-	(20,971,158)	(129,955)
Other non-operating revenues	-	-	132,217
Total non-operating revenues (expenses)	4,330	(13,303,080)	1,831,808
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,361,857)	409,992	8,999,004
Capital contributions	-	3,561,800	2,335,183
Transfers in	765,000	1,765,000	2,749,641
Transfers out	-	(1,468,029)	(153,071)
CHANGES IN NET POSITION	(596,857)	4,268,763	13,930,757
NET POSITION:			
Beginning of year	15,006,847	465,124,627	30,728,968
End of year	\$ 14,409,990	\$ 469,393,390	\$ 44,659,725

City of Stockton
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 33,175,347	\$ 67,561,382	\$ 5,735,024	\$ 4,916,529
Receipts for interfund services provided	-	-	-	-
Payments to suppliers	(18,904,906)	(28,894,520)	(2,917,654)	(2,894,856)
Payments to employees	(6,829,893)	(15,608,185)	(1,981,140)	(463,971)
Net cash provided by (used in) operating activities	7,440,548	23,058,677	836,230	1,557,702
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	1,000,000
Transfers out	(91,074)	(469,393)	(1,103)	(906,459)
Receipt of cash subsidies and federal grants	3,776,328	-	-	-
Due from other funds	-	-	-	-
Proceeds from taxes	-	-	-	1,238,709
Net cash provided by (used in) noncapital financing activities	3,685,254	(469,393)	(1,103)	1,332,250
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	-	-
Purchases of capital assets	(329,106)	(2,972,715)	(303,360)	-
Capital contributions received	1,298,336	2,263,464	-	-
Unamortized loss on refunding of debt	16,819	170,583	-	-
Principal paid on debt	(4,611,869)	(3,959,981)	-	(107,878)
Interest paid on debt	(17,021,421)	(2,728,626)	-	(1,308,727)
Net cash (used in) capital and related financing activities	(20,647,241)	(7,227,275)	(303,360)	(1,416,605)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	1,107,932	1,124,303	84,960	38,019
Net cash provided by investing activities	1,107,932	1,124,303	84,960	38,019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,413,507)	16,486,312	616,727	1,511,366
CASH AND CASH EQUIVALENTS:				
Beginning of year	69,503,350	59,508,535	5,142,726	1,247,563
End of year	\$ 61,089,843	\$ 75,994,847	\$ 5,759,453	\$ 2,758,929

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2016

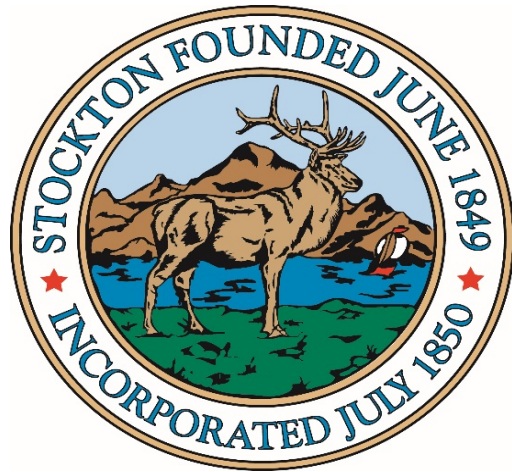
	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,745,550	\$ 113,133,832	\$ 109,140,354
Receipts for interfund services provided	-	-	132,217
Payments to suppliers	(2,507,336)	(56,119,272)	(83,143,190)
Payments to employees	(27,855)	(24,911,044)	(10,345,701)
Net cash provided by (used in) operating activities	(789,641)	32,103,516	15,783,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	765,000	1,765,000	2,749,641
Transfers out	-	(1,468,029)	(153,071)
Receipt of cash subsidies and federal grants	-	3,776,328	-
Due from other funds	-	-	(449,347)
Proceeds from taxes	-	1,238,709	-
Net cash provided by (used in) noncapital financing activities	765,000	5,312,008	2,147,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	-	189,426
Purchases of capital assets	(46,125)	(3,651,306)	(6,354,774)
Capital contributions received	-	3,561,800	-
Unamortized loss on refunding of debt	-	187,402	-
Principal paid on debt	-	(8,679,728)	1,763,028
Interest paid on debt	-	(21,058,774)	(102,699)
Net cash (used in) capital and related financing activities	(46,125)	(29,640,606)	(4,505,019)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	3,608	2,358,822	1,640,120
Net cash provided by investing activities	3,608	2,358,822	1,640,120
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(67,158)	10,133,740	15,066,004
CASH AND CASH EQUIVALENTS:			
Beginning of year	509,313	135,911,487	83,080,425
End of year	\$ 442,155	\$ 146,045,227	\$ 98,146,429

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2016

	Major Enterprise Funds			
	Water Utility	Wastewater Utility	Stormwater Utility	Parking Authority
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:				
Cash and investments	\$ 28,357,489	54,109,473	\$ 5,759,453	\$ 2,758,927
Restricted assets:				
Cash and investments	641,012	21,885,374	-	-
Cash and investments with fiscal agents	32,091,342	-	-	2
Total cash and investments	\$ 61,089,843	75,994,847	\$ 5,759,453	\$ 2,758,929
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,243,708	\$ 12,969,299	\$ (1,027,926)	\$ 894,178
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	7,493,686	11,767,205	1,613,839	713,204
Accounting adjustment for retirement expense	227,572	471,394	64,793	-
Other non-operating revenues	-	-	-	-
Changes in assets and liabilities:				
Accounts and other receivables	(301,471)	(2,267,094)	72,438	(54,671)
Due from other governments	101,239	883,646		
Prepaid items	(149,221)	17,402	3,737	22,654
Inventory of supplies	-	(4,083)	-	-
Deferred charges	-	-	-	-
Accounts payable	(1,693,667)	(954,160)	7,248	37,415
Accrued payroll	(41,100)	(24,788)	10,685	5,357
Due to other governments	(564,978)	-	-	-
Deposits and other liabilities	98,771	6,646	90,000	(69,849)
Compensated absences	26,009	193,210	1,416	9,414
Self-insurance - claims and judgments	-	-	-	-
Net cash provided by (used for) operating activities	\$ 7,440,548	\$ 23,058,677	\$ 836,230	\$ 1,557,702
NONCASH TRANSACTIONS:				
Amortization of issuance discounts	\$ 14,219	\$ -	\$ -	\$ -
Amortization of issuance premiums	(169,222)	-	-	-
Amortization of (gain) on refunding	(16,819)	(170,583)	-	-
Prepaid cost of issuance expense	(9,042)	(17,402)	-	-
Transfer of capital assets from (to) other funds	(91,074)	-	-	-
Accounting adjustment for retirement expense	(227,572)	(471,394)	(64,793)	-

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2016

	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:			
Cash and investments	\$ 442,155	\$ 91,427,497	\$ 97,292,947
Restricted assets:			
Cash and investments	-	22,526,386	-
Cash and investments with fiscal agents	-	32,091,344	853,482
Total cash and investments	<u>\$ 442,155</u>	<u>\$ 146,045,227</u>	<u>\$ 98,146,429</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,366,187)	\$ 13,713,072	\$ 7,167,196
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	612,995	22,200,929	3,987,743
Accounting adjustment for retirement expense	-	763,759	-
Other non-operating revenues	-	-	132,217
Changes in assets and liabilities:			
Accounts and other receivables	(2,766)	(2,553,564)	102,774
Due from other governments	-	984,885	-
Prepaid items	(10,901)	(116,329)	8,066
Inventory of supplies	4,347	264	-
Deferred charges	-	-	62,320
Accounts payable	(21,263)	(2,624,427)	(479,648)
Accrued payroll	(730)	(50,576)	10,678
Due to other governments	1,138	(563,840)	-
Deposits and other liabilities	(6,274)	119,294	-
Compensated absences	-	230,049	(52,978)
Self-insurance - claims and judgments	-	-	4,845,312
Net cash provided by (used for) operating activities	<u>\$ (789,641)</u>	<u>\$ 32,103,516</u>	<u>\$ 15,783,680</u>
NONCASH TRANSACTIONS:			
Amortization of issuance discounts	\$ -	\$ 14,219	\$ -
Amortization of issuance premiums	-	(169,222)	-
Amortization of (gain) on refunding	-	(187,402)	-
Prepaid cost of issuance expense	-	(26,444)	-
Transfer of capital assets from (to) other funds	-	(91,074)	2,335,183
Accounting adjustment for retirement expense	-	(763,759)	-



FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Fund Types

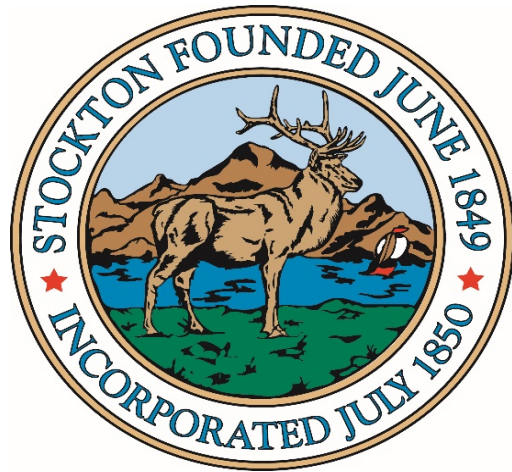
The fiduciary funds are used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary 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 Fund
June 30, 2016

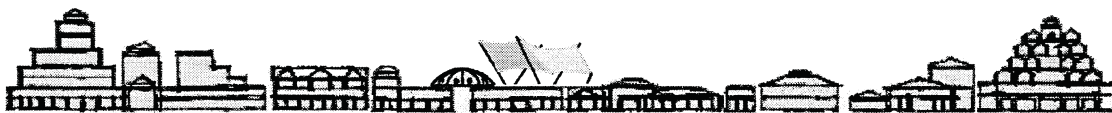
	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments	\$ 40,090,374	\$ 7,573,464
Cash and investments with fiscal agents	6,360,646	10,590,529
Receivables, net:		
Interest	97,726	-
Accounts and other receivables	4,084,953	498
Deposits	-	54,900
Prepaid items	-	692,271
Due from other governments	385	-
Capital assets:		
Nondepreciable	-	12,997,928
Depreciable, net	-	15,696,337
Total assets	\$ 50,634,084	47,605,927
LIABILITIES		
Accounts payable	\$ 3,438	560
Accrued payroll	-	6,769
Due to other governments	1,283,150	-
Deposits and other liabilities	49,347,496	-
Loans from the City, net	-	2,495,331
Accrued interest	-	2,437,801
Bonds payable - current	-	2,661,328
Bonds payable - noncurrent	-	110,378,539
Pollution remediation	-	2,420,252
Total liabilities	\$ 50,634,084	120,400,580
NET POSITION HELD IN TRUST		\$ (72,794,653)

City of Stockton
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2016

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS	
Property tax	\$ 10,485,820
Use of money and property	5,955
Investment Income	49,476
Miscellaneous	2,660,680
Total additions	13,201,931
DEDUCTIONS	
General government	4,999,761
Public Works	233,535
Interest and fiscal charges	6,486,554
Total deductions	11,719,850
CHANGE IN NET POSITION	1,482,081
NET POSITION (DEFICITS):	
Beginning of year	(74,276,734)
End of year	\$ (72,794,653)



CITY OF STOCKTON



NOTES TO BASIC FINANCIAL STATEMENTS



City of Stockton
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For the Year Ended June 30, 2016

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For the Year Ended June 30, 2016

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City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

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

A. *Financial Reporting Entity*

The City was incorporated on July 25, 1850, under the general laws of the State of California. Under the charter adopted in 1923, the City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, community services, engineering services, planning services, public works, general administrative services and capital improvements.

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

Fiduciary Component Unit

The Successor Agency to the Redevelopment Agency of the City of Stockton (“Successor Agency”) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency under City Council action taken on August 23, 2011. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Stockton as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency are such that it would be misleading to exclude the Successor Agency from the City’s financial statements. The Successor Agency is presented herein in the City’s fiduciary funds as a private-purpose trust fund for the fiscal year ended June 30, 2016.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The Stockton Public Financing Authority (the “SPFA”)

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

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

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

Government-Wide Financial Statements

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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 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 nonmajor funds aggregated in and combined with the major funds.

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

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

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

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements

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

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

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

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

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

The City reports the following major governmental funds:

- ***General Fund***
To account for resources not accounted for in another fund. The General Fund is the City's main operating fund reflecting transactions related to municipal governmental services supported by taxes, intergovernmental revenues, charges for services and other governmental type revenues.
- ***HOME Program Loans Special Revenue Fund***
To account for the City’s HOME Program providing affordable housing for low- and very low-income residents by various federal and state laws. HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low- and very low- income households.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

- ***Low and Moderate Income Housing City Loans Special Revenue Fund***
To account for loans extended to eligible low and moderate-income families as approved by the Stockton Redevelopment Agency (until dissolution on February 1, 2012) and the California Health and Safety Code. Loans have not been extended subsequently to the date of dissolution.
- ***Capital Improvement Capital Projects Fund***
To account for the acquisition, construction and improvement of general governmental capital facilities as required by City Council action or state law in which the projects are financed by grants, lease proceeds, and transfers from other City governmental funds.

Proprietary Fund Financial Statements

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

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

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

The City reports the following major enterprise funds:

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Financial Statements (Continued)

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.

Fiduciary Fund Financial Statements

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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 report separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

D. Encumbrances

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

E. Cash, Cash Equivalents, and Investments

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

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

Investments are recorded at fair value by GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease in investment assets and investment income. Investment income consists of interest income, dividend income, and recognized gains or losses on investments. Money market investments and certain guaranteed investment contracts are carried at cost. Highly liquid market investments with maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City allocates the fair value adjustment for unrealized gains and losses at June 30 of each year. Interest earnings on investments are allocated to the individual pooled funds quarterly based on each fund’s average quarterly pooled cash and investments balances. The City reported its investments at fair value and the unrealized gains on investments amounted to \$4,430,839 for the fiscal year ended June 30, 2016.

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Restricted Cash and Investments

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

G. Receivables

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

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

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

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

H. Interfund Loans and Advances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "loans to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Inventory of Supplies

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

J. Capital Assets

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

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

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

K. Capital Contributions

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

L. Accrued Payroll and Related Liabilities

The City is on a semi-monthly payroll period, and employees are paid seven calendar days after the end of the payroll periods ending on the 15th and the end of the month or the last working day before that date. As of June 30, 2016, the payroll accrual is recorded in the respective funds when the related liability is incurred.

M. Accrued Compensated Absences

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Accrued Compensated Absence (Continued)

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

N. Long-Term Debt

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

Before July 1, 2013, bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight-line method, which approximates 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.

O. Pensions

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Pensions (Continued)

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015
<u>PARS</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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

P. Net Position

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

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

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

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

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

Q. Fund Balances

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Fund Balances (Continued)

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 under formal resolution or ordinance of the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

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

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

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

R. Property Taxes

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

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Use of Estimates

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

T. Implementation of Governmental Accounting Standards Board Statements

In the fiscal year 2015-16, the City implemented new accounting standards to conform to the following GASB Statements:

GASB Statement No. 72 – In February 2015, GASB issued Statement No 72, Fair Value Measurement and Application. This statement requires disclosures to be made to fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015, and did not have any measurement impact on the City’s investment portfolio, except for the additional disclosure regarding the measurement input as discussed in Note 2F of the City’s financial statements for the year ended June 30, 2016.

GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. Also, it establishes requirements for defined contribution pensions that are not within the scope of Statement No.68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement became effective for periods beginning after June 15, 2015, and did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

GASB Statement No. 76 -The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - This Statement establishes standards relating to the hierarchy of generally accepted accounting principles. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature if the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement became effective for periods beginning after June 15, 2015, is applied retroactively, and did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

GASB Statement No. 79 - Certain External Investment Pools and Pool Participants - This Statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This Statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 and did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash, Cash Equivalents and Investments

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments on June 30, 2016:

Deposits:	
Cash on hand	\$ 75,785
Demand deposits	59,025,143
Total deposits	59,100,928
Investments	
	441,612,765
Total cash and investments	\$ 500,713,693
 Presented in the government-wide statement of net position:	
Cash and investments	\$ 378,365,280
Restricted cash and investments	57,733,400
Presented in the statement of fiduciary net position:	
Cash and investments	47,663,838
Cash and investments with fiscal agents	16,951,175
Total cash and investments	\$ 500,713,693

A. Cash Deposits

The carrying amount of the City's pooled cash deposits was \$59,025,143 at June 30, 2016. Bank balances before reconciling items were \$65,939,792 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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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.

Authorized Investment Type	Maximum Maturity	Maximum in Portfolio	Minimum Credit Quality
Securities of the U.S. Government or its agencies:			
U.S. Treasury Bonds, Notes and Bills	10 Years**	No Limit	N/A
State of California Obligations	5 Years	No Limit	N/A
49 other States Obligations	5 Years	No Limit	N/A
California Non Stockton Local Agency Obligations	5 Years	No Limit	N/A
U.S. Agency and U.S. Government sponsored Enterprise Securities	10 Years**	No Limit	N/A
City of Stockton Obligations	5 Years*	None	None
Negotiable Certificates of Deposit	5 Years*	30%	AA
Time Certificates of Deposit	5 Years	30%	N/A
Bankers' Acceptances	180 Days	40%	N/A
Commercial Paper	270 Days	25%	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 investment pools require due diligence	Upon Demand	\$65,000,000	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 investment 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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

B. Authorized Investments (Continued)

Investments Authorized by Debt Agreements

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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, 2016, the City had \$64,935,975 invested in LAIF, which had invested 2.81% 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 invest in governmental securities. Essentially this serves to invest excess operating cash in the City's investment pool overnight to receive an investment return on those funds. These repurchase transactions occur daily.

E. 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 2.873% to 5.316%. Certain investment contracts are collateralized by investments, with \$4,501,335 collateralized at 104% to 105%, as outlined in the agreements.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

F. Fair Value of Investments

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

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

At June 30, 2016, the Entity had the following recurring fair value measurements.

<u>Investments by fair value level</u>	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
U. S. Agencies	\$ 150,649,613	\$ -	\$ 150,649,613	\$ -
U. S. Treasuries	87,463,483	\$ 87,463,483	-	-
Medium term notes	72,664,748	-	72,664,748	-
Local Agency Investment Fund	64,935,975	-	64,935,975	-
Commercial paper	6,469,404	-	6,469,404	-
Asset-backed securities	21,618,708	-	21,618,708	-
Total investments by fair value level	<u>403,801,931</u>	<u>\$ 87,463,483</u>	<u>\$ 316,338,448</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Money market mutual funds	31,334,769			
Guaranteed investment contracts	6,476,065			
Total investments measured at the net asset value (NAV)	<u>37,810,834</u>			
	<u>\$ 441,612,765</u>			

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Medium term notes: quoted prices for similar securities in active markets;
- Local Agency Investment Fund: application of the June 30, 2016, fair value factor, as calculated, to the City's average daily balance in the Fund; and
- Asset-backed securities: recent appraisals of the asset value.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

G. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. The exceptions to this policy are that U.S. Treasury or U.S. Agency securities may be invested in greater than five years and investment in variable rate obligations of the City 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. The maturity of investments is evaluated before purchase depending on liquidity needs.

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

Investment Type	Investment Maturities				
	Fair Value	1 year or less	1-3 years	3-5 years	5 years or more
U. S. Agencies	\$ 150,649,613	\$ 14,426,482	\$ 63,537,465	\$ 72,685,666	\$ -
U. S. Treasuries	87,463,483	3,799,818	28,877,523	54,786,142	-
Medium term notes	72,664,748	5,580,842	49,536,716	17,543,056	4,134
Local Agency Investment Fund	64,935,975	64,935,975	-	-	-
Money market mutual funds	31,334,769	31,334,769	-	-	-
Tax exempt municipal bonds	-	-	-	-	-
Repurchase agreement	-	-	-	-	-
Guaranteed investment contracts	6,476,065	1,974,730	-	-	4,501,335
Commercial paper	6,469,404	6,469,404	-	-	-
Asset backed securities	21,618,708	17,376,786	4,241,922	-	-
Total	<u>\$ 441,612,765</u>	<u>\$ 145,898,806</u>	<u>\$ 146,193,626</u>	<u>\$ 145,014,864</u>	<u>\$ 4,505,469</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

G. Risk Disclosure (Continued)

Credit Risk

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

Presented below is the actual rating as of June 30, 2016, for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA/AAAm	AA / AA+ / AA-	A / A+ / A-	A-1+	Total
Held by the City and its Component Units:					
U. S. Agencies:					
Non-callable	\$ -	\$ 136,125,287	\$ -	\$ -	\$ 136,125,287
Callable	-	-	-	-	-
Medium term notes:					
Non-callable	1,553,664	27,190,367	40,214,474	-	68,958,505
Callable	-	-	3,698,917	-	3,698,917
Asset Backed Securities	12,329,235	-	-	-	12,329,235
Money market mutual funds	29,903	-	-	-	29,903
Commercial Paper	-	-	-	6,469,404	6,469,404
Repurchase agreement	-	-	-	-	-
Held by Fiscal Agents:					
U. S. Agencies	-	14,524,326	-	-	14,524,326
Money market mutual funds	31,304,866	-	-	-	31,304,866
Municipal securities	-	-	-	-	-
Total	<u>\$ 45,217,668</u>	<u>\$ 177,839,980</u>	<u>\$ 43,913,391</u>	<u>\$ 6,469,404</u>	
Not rated or exempt from rating disclosure:					
Local Agency Investment Fund					64,935,975
U. S. Treasuries					87,463,485
Guaranteed investment contracts					6,476,065
Medium Term notes and Asset Backed Securities securities not rated by S&P					9,296,797
Total Investments					<u>\$ 441,612,765</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

G. Risk Disclosure (Continued)

Credit Risk (Continued)

The City's portfolio manager utilized ratings of S&P in compiling the previous table. In August 2011, S&P took an extraordinary stance of downgrading the debt of the United States and numerous agencies whose debt it stands behind. Moody's and Fitch only took moves to lower the outlook on U.S. debt while still maintaining the AAA ratings on these entities. In June 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 October 7, 2016, and Fitch affirmed the AAA rating as part of its North America outlook to stable on November 30, 2016.

Custodial Credit Risk

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

Concentration Credit Risk

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

At June 30, 2016, 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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Held by City and its Component Units:		
Federal National Mortgage Association	Federal Agency Securities	\$ 59,979,700
Federal Home Loan Mortgage Corp	Federal Agency Securities	\$ 37,542,880
Federal Home Loan Bank	Federal Agency Securities	\$ 31,626,748
Held by Fiscal Agent:		
Federal Home Loan Mortgage Corp	Federal Agency Securities	\$ 5,061,350
Federal National Mortgage Association	Federal Agency Securities	\$ 3,618,931
Federal Home Loan Bank	Federal Agency Securities	\$ 5,700,977

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

H. Restricted Cash and Investments

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

The City has a reserve policy governing the establishment of Rate Stabilization Fund for its Water, Wastewater, and Stormwater Funds. These reserves are to ease future revenue fluctuations, where revenues are interrupted or otherwise insufficient to offset the operating expenditures and to minimize the impact of rate increases. The City has established a Rate Stabilization Fund in the Water Fund in connection with the issuance of its 2010 Variable Rate Demand Water Revenue Bonds and the Wastewater Fund in connection with the 2014 Wastewater Refunding Bonds. The City use money on deposit in the Rate Stabilization Fund for any lawful purpose. All interest or other earnings in the Rate Stabilization Fund may be withdrawn and accounted for as revenues or used for any lawful purpose. The balance in the Water and Wastewater Rate Stabilization Accounts at June 30, 2016, was \$640,000 and \$11.8 million, respectively.

At June 30, 2016, Government-Wide restricted cash and investments and restricted cash and investments with fiscal agents are as follows:

Governmental activities	\$ 3,115,670
Business-type activities:	
Water Utility	32,732,354
Wastewater Utility	21,885,374
Parking Authority	2
Subtotal	54,617,730
Total restricted cash and investments	\$ 57,733,400
 Fiduciary	 \$ 46,451,020

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Interfund Transactions

A. Due To/From Other Funds

“Due to” and “due from” report lending transactions primarily when individual funds overdraw their share of pooled cash or when there are short-term loans between funds. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of a grant or other reimbursements. There is \$449,347 of inter-fund balances as of June 30, 2016, as follows:

<u>Fund Making Short Term Loan</u>	<u>Fund Receiving Short Term Loan</u>	<u>Amount</u>
Internal Service Fund - Workers' Compensation	Non-Major Governmental:	
	Transportation Development Act	\$ 239,088
	Neighborhood Stabilization Loan Program	210,259
		<u>\$ 449,347</u>

B. Loans To/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 or not at all, have been offset by an allowance for uncollectible loans.

The most significant inter-fund transactions were as follows:

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

- 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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Interfund Transactions (Continued)

C. Transfers

Interfund transfers report the nonreciprocal contributions of resources from one fund to another that include program support, debt service and settlement, and other one-time transfers. The following is a summary of transfers for the year ended June 30, 2016:

		<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities:				
General Fund	Program Support	\$ 988,531	\$ (16,495,575)	\$ (15,507,044)
General Fund	Debt Service/ Settlement	-	(1,420,238)	(1,420,238)
Low-Moderate Income Housing- City Loans	Debt Service/ Settlement	-	(807,509)	(807,509)
Capital Improvement	Program Support	11,635,000	(46,037)	11,588,963
Capital Improvement	Debt Service/ Settlement	-	(4,253)	(4,253)
Other Governmental non-major funds	Program Support	1,060,575	(36,035)	1,024,540
Other Governmental non-major funds	Debt Service	2,232,000	-	2,232,000
Internal Service Funds	Program Support	2,749,641	(153,071)	2,596,570
Total governmental activities		<u>18,665,747</u>	<u>(18,962,718)</u>	<u>(296,971)</u>
Business-type Activities:				
Water Utility	Program Support	-	(91,074)	(91,074)
Wastewater Utility	Program Support	-	(469,393)	(469,393)
Stormwater Utility	Program Support	-	(1,103)	(1,103)
Parking Authority	Program Support	1,000,000	-	1,000,000
Parking Authority	Debt Service/ Settlement	-	(906,459)	(906,459)
Other Enterprise non-major funds	Program Support	765,000	-	765,000
Total business-type activities		<u>1,765,000</u>	<u>(1,468,029)</u>	<u>296,971</u>
Total government-wide statements		<u>\$ 20,430,747</u>	<u>\$ (20,430,747)</u>	<u>\$ -</u>

Note 4 – Successor Agency – Loans from City, Net

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

Also, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. Therefore, the total amount owed has been offset by an allowance for uncollectible interest (\$117,547,666 as of June 30, 2016) as the rate on loan was 10%.

<u>Fund Making Loan</u>	<u>Fund Receiving Loan</u>	<u>Amount</u>	<u>Allowance for Uncollectable Loans</u>	<u>Net</u>
Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency	Internal Service Funds -Workers' Comp.	\$ (500,000)	\$ -	\$ (500,000)
Low Moderate Income Housing RDA Loans	Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency	1,888,750	-	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	117,547,666	(117,547,666)	-
Total		<u>\$ 152,878,600</u>	<u>\$ (150,383,269)</u>	<u>\$ 2,495,331</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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 the fiscal year 2011-12. The fiscal year 2011-12 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, 2016, outstanding accrued interest balance was \$117,547,666.
- 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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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, 2016, are as follows:

<u>Loan Programs</u>	<u>Principal</u>	<u>Deferred Interest</u>	<u>Total</u>
First Time Home Buyers Program (HOME)	\$36,652,292	\$5,729,303	\$ 42,381,595
Community Development Block Grant Programs	15,510,712	4,425,389	19,936,101
Neighborhood Stabilization First Time Home Buyer Program	8,496,895	343,699	8,840,594
California Home Loans	3,452,369	206,634	3,659,003
Low & Moderate Income Housing Programs (former Agency)	49,801,568	7,948,535	57,750,103
	<u>\$ 113,913,836</u>	<u>\$ 18,653,560</u>	132,567,396
Less: Allowance for doubtful accounts			(600,661)
			<u>\$ 131,966,735</u>

The governmental funds report unavailable revenues from notes and loans receivable. These amounts are recognized or reported as a 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.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 5 – Loans to Property Owners (Continued)

California Home Loans Program

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

Low & Moderate Income Housing

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

Note 6 – Capital Assets

A. Government-Wide Financial Statements

At June 30, 2016, the City's capital assets consisted of the following:

	Governmental Activities	Business - Type Activities	Total
Capital assets, not being depreciated:			
Land	\$ 43,038,796	\$ 13,090,320	\$ 56,129,116
Intangible assets - easements	4,354,960	750,453	5,105,413
Construction in progress	108,807,479	7,938,161	116,745,640
Total capital assets, not being depreciated	156,201,235	21,778,934	177,980,169
Capital assets, being depreciated:			
Infrastructure	543,771,346	-	543,771,346
Buildings and improvements	305,438,815	1,019,447,195	1,324,886,010
Machinery and equipment	62,358,258	13,065,735	75,423,993
Total capital assets, being depreciated	911,568,419	1,032,512,930	1,944,081,349
Less accumulated depreciation for:			
Infrastructure	(170,718,108)	-	(170,718,108)
Buildings and improvements	(106,480,890)	(315,300,898)	(421,781,788)
Machinery and equipment	(42,410,064)	(8,311,176)	(50,721,240)
Total accumulated depreciation	(319,609,062)	(323,612,074)	(643,221,136)
Total capital assets, being depreciated, net	591,959,357	708,900,856	1,300,860,213
Total capital assets, net	\$ 748,160,592	\$ 730,679,790	\$ 1,478,840,382

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Capital Assets (Continued)

B. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2016, are as follows:

Governmental activities:	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 40,408,449	\$ 2,630,347	\$ -	\$ -	\$ 43,038,796
Intangible assets - easements	4,354,960	-	-	-	4,354,960
Construction in progress	100,293,578	14,015,178	(3,929,269)	(1,572,008)	108,807,479
Total capital assets, not being depreciated	<u>145,056,987</u>	<u>16,645,525</u>	<u>(3,929,269)</u>	<u>(1,572,008)</u>	<u>156,201,235</u>
Capital assets, being depreciated:					
Infrastructure	543,386,053	385,293	-	-	543,771,346
Buildings and improvements	304,339,299	1,099,516	-	-	305,438,815
Machinery and equipment	57,693,012	4,366,794	(1,835,126)	2,133,578	62,358,258
Total capital assets, being depreciated	<u>905,418,364</u>	<u>5,851,603</u>	<u>(1,835,126)</u>	<u>2,133,578</u>	<u>911,568,419</u>
Less accumulated depreciation for:					
Infrastructure	(157,543,166)	(13,174,942)	-	-	(170,718,108)
Buildings and improvements	(99,301,700)	(7,179,190)	-	-	(106,480,890)
Machinery and equipment	(39,714,620)	(4,519,430)	1,823,986	-	(42,410,064)
Total accumulated depreciation	<u>(296,559,486)</u>	<u>(24,873,562)</u>	<u>1,823,986</u>	<u>-</u>	<u>(319,609,062)</u>
Total capital assets, being depreciated, net	<u>608,858,878</u>	<u>(19,021,959)</u>	<u>(11,140)</u>	<u>2,133,578</u>	<u>591,959,357</u>
Governmental activities capital assets, net	<u>\$ 753,915,865</u>	<u>\$ (2,376,434)</u>	<u>\$ (3,940,409)</u>	<u>\$ 561,570</u>	<u>\$ 748,160,592</u>

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2016, are as follows:

Governmental Activities:	
General Government	\$ 3,357,822
Public Works	1,020,650
Parks & Recreation	2,458,399
Library	155,983
Public Safety	13,892,965
Internal Service Funds	3,987,743
Total	<u>\$ 24,873,562</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Capital Assets (Continued)

C. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2016, are as follows:

Business-type activities:	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 13,090,320	\$ -	\$ -	\$ -	\$ 13,090,320
Intangible asset - easements	750,453	-	-	-	750,453
Construction in progress	21,713,882	2,221,254	(156,901)	(15,840,074)	7,938,161
Total capital assets, not being depreciated	<u>35,554,655</u>	<u>2,221,254</u>	<u>(156,901)</u>	<u>(15,840,074)</u>	<u>21,778,934</u>
Capital assets, being depreciated:					
Buildings and improvements	1,003,536,731	70,390	-	15,840,074	1,019,447,195
Machinery and equipment	11,549,172	2,078,133	-	(561,570)	13,065,735
Total capital assets, being depreciated	<u>1,015,085,903</u>	<u>2,148,523</u>	<u>-</u>	<u>15,278,504</u>	<u>1,032,512,930</u>
Less accumulated depreciation for:					
Buildings and improvements	(293,599,521)	(21,701,377)	-	-	(315,300,898)
Machinery and equipment	(7,811,624)	(499,552)	-	-	(8,311,176)
Total accumulated depreciation	<u>(301,411,145)</u>	<u>(22,200,929)</u>	<u>-</u>	<u>-</u>	<u>(323,612,074)</u>
Total capital assets, being depreciated, net	<u>713,674,758</u>	<u>(20,052,406)</u>	<u>-</u>	<u>15,278,504</u>	<u>708,900,856</u>
Business-type activities capital assets, net	<u>\$ 749,229,413</u>	<u>\$ (17,831,152)</u>	<u>\$ (156,901)</u>	<u>\$ (561,570)</u>	<u>\$ 730,679,790</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2016, are as follows:

Business-type Activities:	
Water Utility	\$ 7,493,686
Wastewater Utility	11,767,205
Stormwater Utility	1,613,839
Parking Authority	713,204
Golf Courses	79,085
Marina	533,910
Total	<u>\$ 22,200,929</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Capital Assets (Continued)

D. Fiduciary Fund Activities

Summary of Changes in Fiduciary Fund capital assets for the year ended June 30, 2016, are as follows:

Fiduciary fund activities:	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 12,897,928	\$ -	\$ -	\$ -	\$ 12,897,928
Intangible assets - easements	100,000	-	-	-	100,000
Total capital assets, not being depreciated	<u>12,997,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,997,928</u>
Capital assets, being depreciated:					
Infrastructure	10,898,549	-	-	-	10,898,549
Buildings and improvements	11,229,529	-	-	-	11,229,529
Machinery and equipment	471,547	-	-	-	471,547
Total capital assets, being depreciated	<u>22,599,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,599,625</u>
Less accumulated depreciation for:					
Infrastructure	(1,527,464)	(249,630)	-	-	(1,777,094)
Buildings and improvements	(4,519,996)	(420,056)	-	-	(4,940,052)
Machinery and equipment	(166,921)	(19,221)	-	-	(186,142)
Total accumulated depreciation	<u>(6,214,381)</u>	<u>(688,907)</u>	<u>-</u>	<u>-</u>	<u>(6,903,288)</u>
Total capital assets, being depreciated, net	<u>16,385,244</u>	<u>(688,907)</u>	<u>-</u>	<u>-</u>	<u>15,696,337</u>
Fiduciary fund activities capital assets, net	<u>\$ 29,383,172</u>	<u>\$ (688,907)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,694,265</u>

Fiduciary fund depreciation expenses for capital assets for the year ended June 30, 2016, are as follows:

Fiduciary Fund Activities:	
Successor Agency	<u>\$ 688,907</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in governmental activities long-term debt for the year ended June 30, 2016, are as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current</u>	<u>Non-Current</u>
Lease Revenue Refunding Bonds:						
2006 Series A (Essential Services Building)	\$ 10,835,000	\$ -	\$ (450,000)	\$ 10,385,000	\$ 470,000	\$ 9,915,000
Unamortized discount	(55,070)	-	3,389	(51,681)	(3,389)	(48,292)
Total Lease Revenue Bonds	<u>10,779,930</u>	<u>-</u>	<u>(446,611)</u>	<u>10,333,319</u>	<u>466,611</u>	<u>9,866,708</u>
Certificates of Participation:						
Series 2003A (former Redevelopment Housing)	1,020,000	-	(35,000)	985,000	40,000	945,000
Series 2003B (former Redevelopment Housing)	10,870,000	-	(355,000)	10,515,000	370,000	10,145,000
Unamortized discount	(8,189)	-	427	(7,762)	(427)	(7,335)
Total Certificates of Participation	<u>11,881,811</u>	<u>-</u>	<u>(389,573)</u>	<u>11,492,238</u>	<u>409,573</u>	<u>11,082,665</u>
Pension Obligation Bonds						
Assured Guaranty Settlement	54,529,752	-	(923,631)	53,606,121	17,130	53,588,991
Total Pension Obligation Bonds	<u>54,529,752</u>	<u>-</u>	<u>(923,631)</u>	<u>53,606,121</u>	<u>17,130</u>	<u>53,588,991</u>
Other long-term obligations:						
Notes payable:						
U.S. Dept. of Housing and Urban Development	15,125,000	-	(1,365,000)	13,760,000	1,400,000	12,360,000
Capital lease obligations:						
Fire Vehicles - (Lease #1)	571,234	-	(67,035)	504,199	69,649	434,550
Civic Auditorium HVAC System - (Lease #2)	1,085,857	-	(195,866)	889,991	205,983	684,008
Fire Pumper Trucks - (Lease #3)	1,314,024	-	(169,937)	1,144,087	175,545	968,542
Fire Engines and Ladder Truck - (Lease #4)	-	2,000,000	-	2,000,000	177,700	1,822,300
State Animal Control Obligation	803,851	-	(651,501)	152,350	152,350	-
Total other long-term obligations	<u>18,899,966</u>	<u>2,000,000</u>	<u>(2,449,339)</u>	<u>18,450,627</u>	<u>2,181,227</u>	<u>16,269,400</u>
Total	<u>\$ 96,091,459</u>	<u>\$ 2,000,000</u>	<u>\$ (4,209,154)</u>	<u>\$ 93,882,305</u>	<u>\$ 3,074,541</u>	<u>\$ 90,807,764</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (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 Stockton Public Financing Authority (SPFA) in the amount of \$13,965,000 on April 6, 2006. As of June 30, 2016, bonds totaling \$10,385,000 are due in semi-annual installments ranging from \$470,000 on August 1, 2016, 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 (“NPF”).

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

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

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

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 \$483,852. The principal amount due is reported net of the unamortized discount of \$51,681.

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, 2016, \$985,000 remains outstanding with installments of principal ranging from \$40,000 on September 1, 2016, to \$75,000 on September 1, 2033, with interest rates ranging from 3.60% to 4.375%, and a final maturity date of September 1, 2033. The principal amount outstanding at June 30, 2016, is reported net of unamortized discount of \$ 7,762.

The 2003 COPs, Series B, were issued in the amount of \$12,140,000. As of June 30, 2016, \$10,515,000 remains outstanding with installments of principal ranging from \$370,000 on September 1, 2016, 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.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Certificates of Participation (Continued)

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

The City has pledged lease payments, to the SPFA to repay the outstanding COPs. Under the settlement agreement with Ambac, the bond's 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 8D).

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, 2016, there are no unpaid amounts by the Successor Agency to the City. For the year ended June 30, 2016, lease reimbursements were \$986,539. The 20% Agency Housing Set-Aside for the year ended June 30, 2016, was \$3,998,577.

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 the extension of the maturities should funding be unavailable as briefly outlined above.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Certificates of Participation (Continued)

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

Please refer to Subsequent Events Note 17 for information regarding the defeasance of the above debt as part of the 2016A Successor Agency to the former Redevelopment Agency of the City of Stockton bond refunding which closed November 3, 2016.

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 for retirement benefits accruing to its employees and retirees. The 2007 POBs for Series A were issued in the amount of \$96,985,000. As of June 30, 2016, bonds totaling \$89,610,000 were due in installments of principal ranging from \$2,280,000 on September 1, 2016, 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 June 30, 2016, 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. This background on the original liabilities is shown in this footnote due to the bonds still trading in the secondary markets.

As part of a settlement between the City and Assured, 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. As of June 30, 2016, Special Fund payments are due in installments ranging from \$1,465,386 on July 1, 2016 to \$2,009,482 due on July 1, 2053; Ask Fund payments are due in in installments ranging from \$1,334,875 on June 1, 2018 to \$2,531,250 due on June 1, 2052; and Supplemental Payments are due in installments of \$250,000 from June 1, 2023, to June 1, 2042, and installments of \$350,000 from June 1, 2043, to June 1, 2052. Additionally, there are Contingent General Fund Payments, which are yet to be determined by future revenues of the City’s General Fund. These Contingent Payments extend from June 1, 2018, to June 1, 2053, should General Fund Revenues require them to be made.

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 non-contingent settlement payments with the Trustee as detailed above and reflected in the table below.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Pension Obligation Bonds (Continued)

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

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

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

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

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Lease Revenue Bonds		Certificates of Participation		2007 Lease Ask Payments Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 470,000	\$ 438,094	\$ 410,000	\$ 578,822	\$ -	\$ -
2018	490,000	418,894	430,000	560,186	-	1,334,875
2019	510,000	398,894	445,000	539,382	-	1,334,875
2020	530,000	378,094	470,000	516,225	-	1,334,875
2021	550,000	356,219	495,000	491,763	-	1,334,875
2022-2026	3,105,000	1,408,647	2,860,000	2,045,826	-	11,452,063
2027-2031	3,855,000	645,863	3,685,000	1,202,583	-	12,650,313
2032-2036	875,000	19,688	2,705,000	215,956	-	12,653,440
2037-2041	-	-	-	-	4,278,040	8,369,086
2042-2046	-	-	-	-	7,824,640	4,824,799
2047-2051	-	-	-	-	10,231,529	2,415,035
2052-2056	-	-	-	-	2,398,925	132,325
Total	<u>\$ 10,385,000</u>	<u>\$ 4,064,393</u>	<u>\$ 11,500,000</u>	<u>\$ 6,150,743</u>	<u>\$ 24,733,134</u>	<u>\$ 57,836,561</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Annual Debt Service Requirements to Maturity (Continued)

Year Ending June 30,	Special Fund Payments Pension Obligation Bonds		Supplemental Payments Pension Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 17,130	\$ 1,448,256	\$ -	\$ -
2018	41,943	1,447,311	-	-
2019	69,384	1,444,997	-	-
2020	99,423	1,441,170	-	-
2021	130,569	1,435,686	-	-
2022-2026	1,200,036	7,031,761	-	1,000,000
2027-2031	869,227	6,735,406	-	1,250,000
2032-2036	1,791,816	6,397,032	-	1,250,000
2037-2041	3,732,677	5,735,515	-	1,250,000
2042-2046	5,582,164	4,465,246	629,682	779,971
2047-2051	7,301,209	2,746,201	1,341,829	334,155
2052-2056	5,419,831	608,615	646,067	18,297
Total	<u>\$ 26,255,409</u>	<u>\$ 40,937,195</u>	<u>\$ 2,617,578</u>	<u>\$ 5,882,423</u>

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Other Long-term Obligations

Notes Payable

The City entered into four Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development to complete redevelopment projects. The first loan was paid off on August 1, 2014 and as of June 30, 2016, the second loan totaling \$1,150,000 has notes due in installments ranging from \$ 200,000 to \$260,000 that are to be paid August 1, 2016, through August 1, 2020, with interest rates ranging from 0.83% to 1.98%; the third loan with payments totaling \$4,575,000 has notes due in installments ranging from \$685,000 to \$890,000 that are due to be paid from August 1, 2016, through August 1, 2020, with interest rates ranging from 0.83% to 1.98%. The fourth loan with payments totaling \$8,680,000 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 4.48% to 5.25%. Repayment of the loans is made from program income received under the City’s housing loans program.

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Notes Payable	
	U.S. Dept. of Housing & Urban Development	
	Principal	Interest
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	1,675,000	338,595
2022-2026	6,115,000	547,132
2027-2031	-	-
Total	\$ 13,760,000	\$ 2,651,926

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Capital Lease Obligations

Fire Vehicles – (Lease #1)

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

The assets acquired through the capital lease are as follows:

Machinery and Equipment		\$	1,005,792
Less: Accumulated depreciation			(605,016)
Total			\$ 400,776

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 was covered through federal grant funding. The lease agreement has payments due on February and August through February 2020 with an interest rate of 5.10%. Lease payments are repayable from the Capital Improvement Projects Fund.

The assets were completed at the end of June 2016 and were capitalized as follows:

Machinery and Equipment		\$	1,861,906
Less: Accumulated depreciation			(380,139)
Total			\$ 1,481,767

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Annual Debt Service Requirements to Maturity (Continued)

Capital Lease Obligations (Continued)

Fire Pumper Trucks – (Lease #3)

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

The assets acquired through the capital lease are as follows:

Machinery and Equipment	\$ 1,871,404
Less: Accumulated depreciation	(415,867)
Total	<u>\$ 1,455,537</u>

Fire Engines and Ladder Truck – (Lease #4)

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

These four 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, 2016, the future minimum lease obligations and the net present value of this minimum lease payments are as follows:

Year Ending June 30,	Capital Lease #1		Capital Lease #2		Capital Lease #3		Capital Lease #4	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 69,649	\$ 18,806	\$ 205,983	\$ 42,796	\$ 175,545	\$ 37,755	\$ 177,700	\$ 76,284
2018	72,364	16,090	216,622	32,157	181,338	31,962	184,600	69,287
2019	75,186	13,269	227,810	20,969	187,323	25,978	191,900	62,018
2020	78,118	10,337	239,576	9,202	193,504	19,796	199,500	54,460
2021	81,164	-	-	-	199,890	13,410	207,400	46,603
2022-2026	127,718	4,964	-	-	206,487	6,814	1,038,900	103,905
Total	<u>\$ 504,199</u>	<u>\$ 63,466</u>	<u>\$ 889,991</u>	<u>\$105,124</u>	<u>\$1,144,087</u>	<u>\$135,715</u>	<u>\$2,000,000</u>	<u>\$412,557</u>

State Animal Control Obligation

The City had claimed \$2.9 million from July 1, 1998 through June 30, 2007, in unreimbursed Animal Adoption Program cost from State of California (“State”). Upon audit of the mandated cost claims, the State disallowed \$1.9 million of the costs claimed by the City. The State also determined that FY 2002 and 2003 amounts were never reimbursed to the City, which amounted to \$282,150. These audit findings required the City to pay the remainder of \$1.7 million back to the State by May 15, 2011; however, instead of paying this amount in lump-sum, the State agreed that the City’s future reimbursement claims would be used to reduce this liability. This liability was reduced by \$915,365 from FY 2012-2015 due to the reimbursement claims submitted by the City. In FY 2015-16, the City’s remaining obligation was decreased by additional \$651,501. The balance of the obligation at June 30, 2016 was \$152,350.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

B. Business-Type Activities

Summary of changes in business-type activities long-term debt for the year ended June 30, 2016, are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u>	<u>Non-Current</u>
Water Utility						
California Statewide Community Development Authority Revenue Bonds						
Series 2002A (Water System Capital Improvements)	\$ 7,325,000	\$ -	\$ (765,000)	\$ 6,560,000	\$ 805,000	\$ 5,755,000
Unamortized discount	(111,383)	-	14,219	(97,164)	(14,219)	(82,945)
Stockton Public Financing Authority Revenue Bonds						
Series 2005A (Water System Capital Improvements)	24,230,000	-	-	24,230,000	-	24,230,000
Unamortized premium	91,230	-	(4,469)	86,761	4,468	82,293
Stockton Public Financing Authority Revenue Bonds						
Series 2009A (Delta Water Project)	9,095,000	-	(3,440,000)	5,655,000	5,655,000	-
Series 2009B (Delta Water Project)	154,550,000	-	-	154,550,000	-	154,550,000
Unamortized premium	936,489	-	(40,424)	896,065	40,424	855,641
Stockton Public Financing Authority Revenue Bonds						
Series 2010A (Delta Water Project)	53,975,000	-	(165,000)	53,810,000	135,000	53,675,000
Unamortized premium	3,149,703	-	(124,330)	3,025,373	124,330	2,901,043
Note payable						
Federal Drought Relief Act Loan	169,543	-	(86,865)	82,678	82,678	-
Total Water Utility	253,410,582	-	(4,611,869)	248,798,713	6,832,681	241,966,032
Wastewater Utility						
Stockton Public Financing Authority Revenue Bonds						
Refunding Revenue Bonds Series 2014	69,440,000	-	(3,230,000)	66,210,000	3,345,000	62,865,000
Unamortized premium (2014 Bonds)	10,343,730	-	(729,983)	9,613,747	729,981	8,883,766
Total Wastewater Utility	79,783,730	-	(3,959,983)	75,823,747	4,074,981	71,748,766
Parking Authority						
Parking Bond Obligation	25,311,349	-	(107,878)	25,203,471	113,534	25,089,937
Total Parking Authority	25,311,349	-	(107,878)	25,203,471	113,534	25,089,937
Marina						
State DBAW Construction & Planning Loan	10,870,822	-	-	10,870,822	-	10,870,822
Total Marina	10,870,822	-	-	10,870,822	-	10,870,822
Total	\$ 369,376,483	\$ -	\$(8,679,730)	\$ 360,696,753	\$ 11,021,196	\$ 349,675,557

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (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 water enterprise, and may not be used for general governmental purposes. The City is in compliance with its covenants in connection with its obligations, including covenants on the current rates and charges, and the Water Fund has revenues sufficient to meet the operation and maintenance costs of the water enterprise, scheduled debt service and required debt service coverage. The City's 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 to each July ending July 2017. The note is repayable from the net revenue of the Water Fund. The balance as of June 30, 2016, was \$82,678.

California Statewide Community Development Authority Revenue Bonds Series 2002A

On April 16, 2002, the City participated in the California Statewide Community Development Authority 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, 2016, \$6,560,000 of the 2002A Bonds are outstanding with installments of principal ranging from \$805,000 on October 1, 2016, to \$1,090,000 on October 1, 2022, with interest rates ranging from 4.750% 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 a deferred outflow of resources in the amount of \$114,925. Also, bond issuance costs related to prepaid insurance remained unamortized at June 30, 2015. The principal amount due is reported net of unamortized discount of \$97,164.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Water Utility (Continued)

Stockton Public Financing Authority Revenue Bonds Series 2005A

The 2005 Water Revenue Bonds, Series A (Water System Capital Improvement Projects) (the “2005A Bonds”) were issued in the amount of \$24,230,000 by the Stockton Public Financing Authority (“SPFA”) on November 3, 2005. As of June 30, 2016, \$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 for the water fund is pledged towards repayment of the 2005A Bonds. The 2005A Bonds were issued to finance various water system capital improvement projects. The principal amount due is reported net of the unamortized premium of \$86,761.

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, 2016, 2009A Bonds are outstanding in the amount \$5,655,000 which is due on 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 under the Recovery Act equal to 35% of the interest payable on or about each Interest Payment Date. The amount of the subsidy received for the year ended June 30, 2016, was \$3,776,328 net of a reduction due to sequestration. As of June 30, 2016, 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 the unamortized premium of \$896,065 as of June 30, 2016. Net revenues of the Water Fund are pledged towards repayment of the 2009B Bonds.

The City was notified that under sequestration the subsidy payment would be reduced by 6.8% for the federal fiscal year ending September 30, 2016.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Water Utility (Continued)

Stockton Public Financing Authority Revenue Bonds Series 2009B (Continued)

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 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, 2016, \$53,810,000 of 2010A Bonds remain outstanding with installments of principal ranging from \$135,000 to \$16,500,000 beginning October 1, 2016, 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 \$3,025,373 as of June 30, 2016.

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, 2016, total principal and interest paid was \$21,582,185, and net revenues were \$14,594,216 after use of \$2,155,539 in Rate Stabilization Fund resources. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds are \$512,249,449.

Debt Covenants

The Revenue Bonds all require the maintenance of a financial covenant of minimum debt service coverage (DSC) ratio. The minimum DSC ratio for the senior bonds is 115% of net system revenues, which are pledged for repayment of senior revenue bonds. The minimum DSC ratio for subordinate bonds is 115% of net system revenues after the payment of senior bonds. The DSC ratio is the measure of the Water Fund’s ability to have sufficient resources to pay its debt service. The Water Fund has met its DSC for the fiscal year ended June 30, 2016, at each measurement, first on senior lien bond, and then on subordinate lien bonds.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Wastewater Utility

The bonds of the Wastewater Utility are secured by and payable from certain revenues of the City's wastewater enterprise fund (the "Wastewater Fund"), amounts that are derived from "property related fees" collected by the City for wastewater service. Application of amounts in the enterprise fund is governed by the requirements of Article XIID, Section 6 of the California Constitution, which provides that the enterprise fund may only be used for the wastewater enterprise, and may not be used for general governmental purposes. The City is in compliance with its covenants in connection with its obligations, including covenants on the current rates and charges, and the Wastewater Fund has revenues sufficient to meet the operation and maintenance costs of the wastewater utility, scheduled debt service and required debt service coverage. The City's 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, 2016, bonds totaling \$62,210,000 are due in annual installments of principal ranging from \$3,345,000 to \$6,530,000 beginning September 1, 2016, through September 1, 2029, with interest rates ranging from 4.00% to 5.00% on the bonds outstanding. The Bonds were issued to advance refund the 1998 and 2003 certificates of participation. Repayment of the Bonds is a pledge of net revenues of the Wastewater Fund. With the implementation of Government Accounting Standard Board ("GASB") Statement No. 65, the balance of the loss on refunding is reported as a deferred outflow of resources and at June 30, 2016, there is \$2,246,561 outstanding. The principal amount due is reported net of the unamortized premium of \$9,613,747.

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, 2016, the City paid total principal and interest of \$6,484,250 and had net revenues of \$26,801,697 after a rate stabilization fund deposit of \$2 million. At June 30, 2016, the total principal and interest remaining to be paid on the Wastewater Bonds are \$92,080,800.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Wastewater Utility (Continued)

Debt Covenants

The Bonds require the maintenance of a financial covenant of minimum debt service coverage (DSC) ratio. The minimum DSC ratio for Bonds is 115% of Adjusted Net System Revenues which are pledged toward repayment of all bonds. The DSC ratio is the measure of the Wastewater Fund's ability to have sufficient resources to pay its debt service. The Wastewater Fund has met its DSC for the fiscal year ended June 30, 2015, at each measurement period.

Parking Authority

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

The 2004 Parking Bonds were issued to finance the construction of the Stockton Events Center Parking Structure, the Edward S. Coy Parking Garage, and other parking facilities within the Parking Authority. The above bonds, held by investors, while still outstanding has been replaced by an alternate liability of the Parking Authority ("Authority"), which at June 30, 2016, has totaled \$25,203,471, and was due in installments ranging from \$113,534 to \$1,795,823 beginning February 25, 2017, to February 25, 2047. These principal installments reflect the payments required by the Authority under a settlement agreement reached with the Insurer of the Bonds, National Public Finance Guaranty ("NPFGB"). Additional explanation on the liability and how it is reflected is shown below.

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (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 as described in the settlement with NPMG. Under the terms of the agreement, the City was required to transfer the parking properties (including those built with the original bond proceeds) over to the Authority, who in turn assumed the revised lease of the assets from the City, who had leased them from the SPFA under the original agreement.

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

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

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. Which is in compliance with Governmental Accounting Standards Board Statement 58 (GASB 58) which is the authoritative literature for government bankruptcy implementation. As part of a settlement between the City and NPMG, 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 NPMG. Payments which extend beyond the original debt service end date of September 1, 2034, will be retained by NPMG.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (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 the fiscal year 2006. Construction of the facility started during the fiscal year ended June 30, 2009, and the project was completed in 2011. The principal remaining to be paid on both the planning and construction loans as of June 30, 2016, is \$10,870,821.

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Water Utility		Wastewater Utility		Parking Authority	
	Revenue Bonds and		Revenue Bonds		Lease	
	Federal Drought Relief Act Loan				Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	5,650,000	15,563,566	3,995,000	2,497,375	347,633	1,255,645
2022-2026	32,645,000	71,586,754	23,675,000	9,177,125	2,144,554	5,976,021
2027-2031	41,840,000	58,511,363	24,275,000	2,503,375	2,978,575	5,328,808
2032-2036	56,335,000	41,062,405	-	-	4,077,218	4,436,416
2037-2041	86,225,000	15,080,947	-	-	5,519,791	3,221,561
2042-2047	-	-	-	-	7,481,381	1,581,094
2047-2051	-	-	-	-	1,795,824	70,010
Total	<u>\$ 244,887,678</u>	<u>\$ 267,361,771</u>	<u>\$ 66,210,000</u>	<u>\$ 25,870,800</u>	<u>\$ 25,203,471</u>	<u>\$ 27,031,066</u>

C. Fiduciary Fund Activities

Summary of changes in fiduciary fund long-term liabilities for the year ended June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current	Non-Current
Successor Agency to the Redevelopment Agency:						
Revenue Bonds:						
Arena Settlement Obligation 2004 Bonds	\$ 40,356,602	-	\$ (378,084)	\$ 39,978,518	\$ 600,264	\$ 39,378,254
2006 Series A (Redevelopment Projects)	50,055,000	-	(895,000)	49,160,000	1,385,000	47,775,000
2006 Series C (Housing Projects)	22,850,000	-	(565,000)	22,285,000	600,000	21,685,000
Unamortized premium	1,692,413	-	(76,064)	1,616,349	76,064	1,540,285
Total Successor Redevelopment Agency	<u>\$ 114,954,015</u>	<u>\$ -</u>	<u>\$ (1,914,148)</u>	<u>\$ 113,039,867</u>	<u>\$ 2,661,328</u>	<u>\$ 110,378,539</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Activities (Continued)

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, 2016, 2004 Arena Bonds totaling \$43,360,000 are due in annual installments of principal ranging from \$745,000 on September 1, 2016, 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 above bonds held by investors, while still outstanding have been replaced by an alternate liability, which at June 30, 2016, totaled \$39,978,518, and are due in annual installments of principal ranging from \$600,264 to \$4,035,000 from August 25, 2016, through August 25, 2036. These principal installments reflect payments required by the City under a settlement agreement reached with the Insurer of the Bonds, National Public Finance Guaranty (“NPMFG”). Additional explanation on the liability and how it is reflected is shown below.

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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Activities (Continued)

Successor Redevelopment Agency (Continued)

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

The City negotiated a settlement with NPMG relating to the City's obligations on 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 the general fund and special tax increment revenues on 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.

Before 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, 2016, principal and interest paid was \$2,726,674 and Successor Agency project area tax increment in the merged Waterfront project area was \$3,598,400, with \$898,451 having come from the pledged West End project area and the remainder from ledger pro-rata share of all other tax increment revenues of the Successor Agency. Using the West End Project Area pledge and the non-pledged pro-rata share of all another 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.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Activities (Continued)

Successor Redevelopment Agency (Continued)

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

Under the settlement agreement, the Reserve funds are no longer required to be maintained by the City, and NPMF 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.

Please refer to Subsequent Events Note 17 for information regarding the defeasance of the above debt as part of the 2016A Successor Agency to the former Redevelopment Agency of the City of Stockton bond refunding which closed November 3, 2016.

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, 2016, the 2006 Series A Bonds totaling \$49,160,000 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 the unamortized premium of \$1,616,349.

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, 2016, bonds totaling \$22,285,000 are due in installments of principal ranging from \$600,000 on September 1, 2016 to \$1,720,000 on September 1, 2037, with interest rates ranging from 6.15% to 6.87%.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Activities (Continued)

Successor Redevelopment Agency (Continued)

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

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.

Please refer to Subsequent Events Note 17 for information regarding the defeasance of the above debt as part of the 2016A Successor Agency to the former Redevelopment Agency of the City of Stockton bond refunding which closed November 3, 2016.

Annual Debt Service Requirements to Maturity

<u>Year Ending June 30,</u>	<u>2006 Series A & C Revenue Bonds</u>		<u>2004 Series Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	3,380,000	3,399,266	978,731	1,897,725
2022-2026	11,570,000	15,253,810	6,583,219	8,677,569
2027-2031	16,200,000	11,027,019	10,282,000	6,562,625
2032-2036	20,575,000	5,741,509	15,412,500	3,167,500
2037-2041	9,175,000	543,481	3,840,750	100,875
Total	<u>\$ 71,445,000</u>	<u>\$ 51,160,490</u>	<u>\$ 39,978,518</u>	<u>\$ 28,365,278</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Long-Term Liabilities (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, 2016, there were six CFD special tax bonds, two special assessment bonds, and seven revenue bonds outstanding with aggregate principal amounts payable of \$46,205,000, \$5,020,000, and \$30,190,000, respectively.

Please refer to Subsequent Events Note 17 for information regarding the defeasance of much of the above debt as part of the 2016A Stockton Public Financing Authority Assessment and Special Tax District bond refunding which closed in August of 2016.

Conduit Debt (No City Commitment) – 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, 2016, conduit debt outstanding consisted of certificate of participation, and with an aggregate principal amount outstanding of \$3,685,000.

Note 8 – Accrued Compensated Absences

The value of all accumulated vacation and longevity vacation allowance is accrued, as appropriate, for all funds. Earned but unused sick is not accrued starting with negotiated bargaining unit contracts that began in the fiscal year 2012-13 and continued through June 30, 2016. The bargaining unit contracts state that all sick time accrual has no cash value upon separation from the City.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Accrued Compensated Absences (Continued)

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$ 10,532,324	\$ 845,244	\$ 11,377,568
Additions	7,149,334	1,154,711	8,304,045
Payments	(6,711,941)	(924,661)	(7,636,602)
Ending Balance	10,969,717	1,075,294	12,045,011
Less: Current Portion	(5,842,827)	(752,202)	(6,595,029)
Non-Current Portion	<u>\$ 5,126,890</u>	<u>\$ 323,092</u>	<u>\$ 5,449,982</u>

Note 9 – Unamortized Loss on Refundings

Summary of Changes in Unamortized Loss on Refundings for the year ended June 30, 2016, is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
Lease Revenue Refunding Bonds:				
2006 Series A (Essential Services Building)	\$ 515,580	\$ -	\$ 31,728	\$ 483,852
Business-Type Activities:				
Development Authority Revenue Bonds				
Series 2002A (Water System Capital Improvements)				
Revenue Bonds	131,743	-	16,818	114,925
Stockton Public Financing Authority				
Refunding Revenue Bonds Series 2014	2,417,143	-	170,583	2,246,560
Total business-type activities	<u>\$ 2,548,886</u>	<u>\$ -</u>	<u>\$ 187,401</u>	<u>\$ 2,361,485</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Fund Balances

A summary of the City’s fund balance classification as nonspendable, restricted, committed, assigned and unassigned reported in the City’s Governmental Funds balance sheet at June 30, 2016, are as follows:

	General Fund	HOME Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement	Other Governmental	Total Governmental Funds
Fund balances:						
Nonspendable:						
Inventories	\$ 438,241	\$ -	\$ -	\$ -	\$ -	\$ 438,241
Prepaid expense	68,028	-	-	-	-	68,028
Advance deposits	562,357	-	-	-	372,879	935,236
Others	1,145,265	-	-	-	-	1,145,265
Total Nonspendable	<u>2,213,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,879</u>	<u>2,586,770</u>
Restricted for:						
Section 108 Loan	1,263,054	-	-	-	-	1,263,054
Community development	-	-	-	-	23,019,962	23,019,962
Debt service reserve	-	-	-	-	2,998,849	2,998,849
General government	-	-	-	21,463,440	1,665,325	23,128,765
Housing	-	223,736	6,213,900	-	3,733,394	10,171,030
Libraries and arts	2,285,967	-	-	559,659	9,105,166	11,950,792
Parks and recreation	-	-	-	-	6,797,045	6,797,045
Public safety	-	-	-	-	5,761,227	5,761,227
Solid waste/recycling	-	-	-	-	1,890,701	1,890,701
Streets, transit & traffic	-	-	-	-	38,650,956	38,650,956
Total Restricted	<u>3,549,021</u>	<u>223,736</u>	<u>6,213,900</u>	<u>22,023,099</u>	<u>93,622,625</u>	<u>125,632,381</u>
Committed for:						
General government operations	49,087,888	-	-	-	-	49,087,888
Total Committed	<u>49,087,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,087,888</u>
Assigned for:						
General government operations	5,466,870	-	-	-	-	5,466,870
Total Assigned	<u>5,466,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,466,870</u>
Unassigned:						
	<u>33,326,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,326,002</u>
Total Fund Balances	<u>\$ 93,643,672</u>	<u>\$ 223,736</u>	<u>\$ 6,213,900</u>	<u>\$ 22,023,099</u>	<u>\$ 93,995,504</u>	<u>\$ 216,099,911</u>

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans

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

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
CalPERS Miscellaneous Plan	\$ 8,744,590	\$ 3,708,642	\$ 12,453,232
CalPERS Safety Plan	20,198,006	-	20,198,006
Earnings on pension plan investments:			
PARS	-	458,246	458,246
Subtotal	\$ 28,942,596	\$ 4,166,888	\$ 33,109,484
Net pension liabilities:			
CalPERS Miscellaneous Plan	\$ 91,763,815	\$ 41,999,850	\$ 133,763,665
CalPERS Safety Plan	251,582,050	-	251,582,050
PARS	-	4,344,799	4,344,799
Total net pension liabilities	\$ 343,345,865	\$ 46,344,649	\$ 389,690,514
Deferred inflows of Resources:			
Difference in projected and actual earnings on pension investments:			
CalPERS Miscellaneous Plan	\$ 27,655,965	\$ 12,340,423	\$ 39,996,388
CalPERS Safety Plan	52,748,979	-	52,748,979
Total deferred inflows of resources	\$ 80,404,944	\$ 12,340,423	\$ 92,745,367

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan

General Information about Pension Plans

CalPERS is an agent multiple-employer agency trust; that acts as a common investment and administrative agent for participating public entities in the State of California, providing retirement and disability benefits, the 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 employee's highest annual salary. Benefit provisions and all other requirements are established by contract with CalPERS, State statute, and City ordinance. Copies of the CalPERS comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA, 95811.

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

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City of Stockton's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by 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.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

General Information about Pension Plans (Continued)

Benefits provided – CalPERS provides service retirement and disability benefits, the annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits for public safety employees are calculated as a percentage of the employee’s final 3-year average salary times the employees’ years of service. Public safety employees with ten years of continuous service are eligible to retire at age 55. Public safety employees may retire at any age after 20 years of service. The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety	
Hire Date	Prior to January 1, 2014	After January 1, 2014
Benefit vesting schedule	5 years service	5 years service
Benefit Formula	Tier II: 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 contribution rates	41.385%	41.385%

	Miscellaneous	
Hire Date	Prior to January 1, 2014	After January 1, 2014
Benefit vesting schedule	5 years service	5 years service
Benefit Formula	Tier I: 2% @ 55 years of age All Other: 2% @ 60 years of age	2% @ 62 years of age
Benefit payments	monthly for life	monthly for life
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	20.090%	20.090%

Employees covered - At June 30, 2016, the following employees were covered by the benefit terms:

	Safety Plan	Miscellaneous Plan
Inactive employees 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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

General Information about Pension Plans (Continued)

Contributions – The City establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2016, the Safety Plan employer contribution rate was 41.385% of wages. The Miscellaneous Plan was 20.09% of wages.

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 on June 30, 2014, the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Safety Plan</u>		<u>Miscellaneous Plan</u>	
Valuation Date	6/30/2014		6/30/2014	
Measurement Date	6/30/2015		6/30/2015	
Actuarial Cost Method	Entry-Age Normal Cost Method		Entry-Age Normal Cost Method	
Actuarial Assumptions:				
Discount Rate	7.65%		7.65%	
Inflation	2.75%		2.75%	
Payroll Growth	3.00%		3.00%	
Projected Salary Increase	Varies	(1)	Varies	(1)
Investment Rate of Return	7.50%	(2)	7.50%	(2)
Mortality	See note	(3)	See note	(3)

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

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

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

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Net Pension Liability (Continued)

Discount rate – The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Safety/Miscellaneous Plan			
Asset Class	New Strategic Allocation	Real Return Years 1- 10(a)	Real Return Years 1-11+(b)
Global Equity	47.00%	5.25%	5.75%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	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%
Total	100.00%		

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Changes in the Net Pension Liability

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

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 925,213,230	\$ 695,136,418	\$ 230,076,812
Changes for the year:			
Service cost	13,593,233	-	13,593,233
Interest	67,693,599	-	67,693,599
Changes of assumptions	(16,908,140)	-	(16,908,140)
Differences between expected and actual experience	(5,410,590)	-	(5,410,590)
Plan to plan resource movement	-	3,305	(3,305)
Contributions-employer	-	17,178,961	(17,178,961)
Contributions-employee	-	5,896,729	(5,896,729)
Net investment income	-	15,155,169	(15,155,169)
Benefit payments, including refunds of employee contributions	(49,614,935)	(49,614,935)	-
Administrative expense	-	(771,300)	771,300
Net Changes	9,353,167	(12,152,071)	21,505,238
Balances at June 30, 2016	\$ 934,566,397	\$ 682,984,347	\$ 251,582,050

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Changes in the Net Pension Liability (Continued)

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 649,863,743	\$ 525,617,589	\$ 124,246,154
Changes for the year:			
Service cost	9,145,587	-	9,145,587
Interest	47,148,768	-	47,148,768
Changes of assumptions	(11,281,319)	-	(11,281,319)
Differences between expected and actual experience	(10,000,256)	-	(10,000,256)
Plan to plan resource movement	-	(13,377)	13,377
Contributions-employer	-	10,783,508	(10,783,508)
Contributions-employee	-	3,802,226	(3,802,226)
Net investment income	-	11,522,892	(11,522,892)
Benefit payments, including refunds of employee contributions	(33,662,380)	(33,662,380)	-
Administrative expense	-	(599,980)	599,980
Net Changes	1,350,400	(8,167,111)	9,517,511
Balances at June 30, 2016	\$ 651,214,143	\$ 517,450,478	\$ 133,763,665

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Changes in the 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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	Safety Plan		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net pension liability	\$ 379,147,774	\$ 251,582,050	\$ 147,315,143
	Miscellaneous Plan		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net pension liability	\$ 218,432,399	\$ 133,763,663	\$ 63,672,307

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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

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

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution made after measurement date	\$ 20,198,006	\$ -
Changes of assumptions	-	(12,681,105)
Differences between Expected and Actual Experiences	-	(4,057,942)
Net differences between projected and actual		
Earnings on pension plan investments	-	(36,009,932)
Total	\$ 20,198,006	\$ (52,748,979)
	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution made after measurement date	\$ 12,453,232	\$ -
Changes of assumptions	-	(6,768,791)
Differences between Expected and Actual Experiences	-	(6,000,154)
Net differences between projected and actual		
Earnings on pension plan investments	-	(27,227,443)
Total	\$ 12,453,232	\$ (39,996,388)

The \$20,198,006 and \$12,453,232 reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date during the year ended June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows, and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources Safety Plan	Deferred Outflows/(Inflows) of Resources Miscellaneous Plan
2016	\$ (12,781,669)	\$ (13,958,119)
2017	(12,781,669)	(9,701,802)
2018	(12,781,667)	(5,445,489)
2019	(7,201,986)	(5,445,489)
2020	(7,201,988)	(5,445,489)
Thereafter	-	-
	\$ (52,748,979)	\$ (39,996,388)

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

B. PARS Enhancement Plan

General Information about Pension Plans

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

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

Employees covered - At June 30, 2016, the following employees were covered by the benefit terms:

	Enhancement Plan
Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	0
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 the employee during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

B. PARS Enhancement Plan (Continued)

Net Pension Liability

The City’s net pension liability was measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2016, using standard update procedures.

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

	Enhancement Plan	
Valuation Date	6/30/2014	
Measurement Date	6/30/2016	
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 on 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 currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – 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 real arithmetic rates of return for each major asset class are summarized in the following table:

Enhancement Plan			
Asset Class	Target Allocation	Real Return Years 1-10(a)	Real Return Years 1-11+(b)
Cash	3.38%	0.42%	0.41%
Core Fixed Income	47.01%	2.12%	1.99%
Broad US Equities	38.24%	5.12%	3.81%
Developed Foreign Equities	8.65%	5.85%	4.20%
Emerging Market Equities	2.72%	8.07%	4.79%
Total	100.00%		

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

B. PARS Enhancement Plan (Continued)

Changes in the Net Pension Liability

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

	Enhancement Plan		
		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 9,759,398	\$ 5,574,692	\$ 4,184,706
Changes for the year:			
Service cost	150,623	-	150,623
Interest	680,023	-	680,023
Contributions-employer	-	705,192	(705,192)
Net investment income	-	8,851	(8,851)
Benefit payments, including refunds of employee contributions	(397,530)	(397,530)	-
Administrative expense	-	(43,490)	43,490
Net Changes	433,116	273,023	160,093
Balances at June 30, 2016	\$ 10,192,514	\$ 5,847,715	\$ 4,344,799

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

	Enhancement Plan		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$ 5,665,422	\$ 4,344,800	\$ 3,241,795

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Retirement Plans (Continued)

B. PARS Enhancement Plan (Continued)

Changes in the Net Pension Liability (Continued)

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

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Enhancement Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Earnings on pension plan investments	\$ 458,246	\$ -
Total	\$ 458,246	\$ -

For the year ended June 30, 2016, \$458,246 was reported as deferred outflows of resources related to earnings on pension plan investments, it will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows of Resources Enhancement Plan
2017	\$ 126,716
2018	126,716
2019	126,716
2020	78,098
2021	-
Thereafter	-
	\$ 458,246

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 12 – 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 Health Insurance funds) to account for and finance its self-insured risks of loss. Under the City's risk management program, the City retains risk for each general liability claim, for each workers' compensation claim (described under Risk Pools), and for each medical plan member under the health benefits program. The City purchases stop-loss coverage for the health benefits program over its \$350,000 self-insured retention (SIR) from Union Labor Life Insurance Company up to a maximum of \$1,000,000 per Original Plan member and \$2,000,000 per Modified Plan member. The City's coverage for SIR excess claims for general liability and workers' compensation is discussed later in this note under risk pools. The workers' compensation and health benefits programs are administered by third-party claims administrators. The general liability program is self-administered by the City.

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

Charges to the General Fund and other funds are determined from an analysis of claims costs and are recorded as expenditures or expenses in the contributing funds and charges for services in the internal service funds. Charges for general liability and workers' compensation insurances are a percentage of payroll, and the charge for health benefits is a monthly dollar amount for all actively occupied positions.

Independent actuaries perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based on experience, modified for current trends and information. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is recognized at a 70% confidence level, using a 1.25% discount rate to reflect future investment earnings. While the ultimate amounts of losses incurred through June 30, 2016, are dependent on future developments, based on information provided by the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to recognize such losses. There have been no significant reductions in any of the City's insurance coverage each of the past three years.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 12 – 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:

	<u>General Liability</u>	<u>Workers’ Compensation</u>	<u>Health Benefits</u>	<u>Total</u>
Balance, June 30, 2014	\$ 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	<u>(154,453)</u>	<u>(5,714,642)</u>	<u>(6,236,625)</u>	<u>(12,105,720)</u>
Balance, June 30, 2015	8,691,954	55,389,000	745,900	64,826,854
Claims incurred	752,305	11,819,022	4,995,070	17,566,397
Claims paid	<u>(1,616,693)</u>	<u>(5,946,022)</u>	<u>(5,158,370)</u>	<u>(12,721,085)</u>
Balance, June 30, 2016	<u>\$ 7,827,566</u>	<u>\$ 61,262,000</u>	<u>\$ 582,600</u>	<u>\$ 69,672,166</u>

Risk Pools – The City is a member of two joint powers authorities organized under 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, 2016, 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.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 12 – Risk Services (Continued)

Workers' Compensation Insurance – The City has been self-funded for its Worker's Compensation Program since 1979. In July 2003, the City joined California Public Entity Insurance Authority (CPEIA), a public entity risk pool which operated an Excess Workers' Compensation Program. CPEIA has since merged into an existing authority known as California State Association of Counties Excess Insurance Authorities (CSAC-EIA). The CSAC-EIA was formed in 1979 by 29 California counties for 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 is covered by reinsurance and excess insurance policies throughout CSAC-EIA.

Note 13 – Pollution Remediation Obligations

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

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

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, 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, 2016, are also discussed.

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 13 – Pollution Remediation Obligations (Continued)

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 is encountering groundwater contamination as part of the planned development of the site. Estimated costs are for a 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, 2016, 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 a consultant, legal and City personnel costs for cleanup of the soil contamination, and pre-cleanup and investigative study of the site about the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2016, is \$ 431,250, which includes an estimated recovery of costs by the responsible party.

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 the pre-cleanup and investigative study of the site about the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2016, is \$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 have 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 for oversight of lead contamination on the property. A soil management plan was completed for the 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 related to petroleum contaminated soil and groundwater that emanated from the French drains. The Agency is currently in discussions with the state and the regional board 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 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, 2016, 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, 2016, remains at \$55,000. The net pollution remediation liability for Area 24 as of June 30, 2016, is \$541,502, 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 \$2,420,252, is reported to the Successor Agency as of June 30, 2016. During the year ended June 30, 2016, the Successor Agency recovered \$1,502 in related pollution remediation outlays and adjustments to future outlay, and recoveries for the polluted sites.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 14 – Individual Fund Disclosures

Deficit Fund Balances

At June 30, 2016, the following funds had net positions or fund balance deficits:

<u>Fund</u>	<u>Fund Type</u>	<u>Deficit</u>
Transportation Development Act	Non-Major Governmental - Special Revenue Fund	\$ (266,285)
Workers' Compensation Insurance	Internal Service Fund	\$ (29,516,935)

- The Transportation Development Act Fund has a deficit fund balance of \$266,285 as of June 30, 2016. The City maintains its general ledger on a modified accrual basis of accounting and has defined its availability period as 90 days. Due to the timing of receipt of reimbursement and the implementation of GASB Statement No. 65, the City classified this revenue as a deferred inflow of resources. This revenue does not qualify for recognition as they are not yet considered available.
- The Workers' Compensation Insurance Fund has an accumulated deficit fund balance of \$29,516,935 as of June 30, 2016. 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 estimated future claims. On an accrual basis of accounting, the Fund has a long-term liability of \$52,945,000 for claims and judgments while the cash balance of the fund as of June 30, 2016, is \$31,846,645. The City has increased its rates as necessary to help fund the accumulated deficit over time.

Note 15 – Commitments and Contingencies

Contingent Liability – Pending Litigation

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – 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 the fiscal year 2010-11. On June 22, 2010, the City Council approved resolutions 10-0200 and 10-0201 adopting emergency measures affecting the terms and conditions of labor agreements for sworn employees in the Police departments. The emergency measures temporarily suspended scheduled pay increases from taking effect during the fiscal year 2010-11, as scheduled by labor agreements with the police union. Additional concessions were also imposed as part of the adoption of the fiscal year 2011-12 budget 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 an 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 the agreement would be eligible for additional hours.

When the Plan of Adjustment was confirmed, the claims were resolved, and SPOA members received credit for 22 hours. The term of the current MOU with SPOA is July 1, 2016, through June 30, 2019.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Commitments and Contingencies (Continued)

Capital Commitments

The City is undertaking some capital improvement projects, the most significant of which include the following outstanding capital commitments at June 30, 2016:

	Amount
Developer Reimbursements	\$ 5,598,041
Street Resurfacing	2,245,524
Center/El Dorado Overpass	1,575,725
Regional Wastewater Conrail Facility - CIEMP Headworks	1,328,936
Irrigation Controller Upgrade	686,003
Sanitary Sewer Rehabilitation	577,385
Total Capital Projects Commitments	\$ 12,011,614

Operating Leases

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

Year Ended June 30,	Amount
2017	\$ 1,344,375
2018	1,366,298
2019	1,705,582
2020	1,729,663
2011	1,754,905
2022-2026	10,585,638
2027-2031	12,262,749
Total	\$ 30,749,210

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Commitments and Contingencies (Continued)

Encumbrances

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

GASB Statement No. 54 provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the governmental funds are classified as either committed, restricted or assigned and are included in the respective classification. Outstanding encumbrances at June 30, 2016, are as follows:

	<u>Amount</u>
General Fund	\$ 4,740,534
Capital Improvements	\$ 13,660,115
Other Governmental	\$ 11,629,219

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 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.

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.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Commitments and Contingencies (Continued)

Federal and State Grant Programs

The City participates in some 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, 2016, 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.

Note 16 – Restricted Net Position

At June 30, 2016, restricted net position consisted of the following:

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Totals</u>
Restricted:			
Capital projects	\$ 73,256,642	\$ 53,976,718	\$ 127,233,360
Debt service	3,026,724	641,012	3,667,736
Loan programs	5,109,534	-	5,109,534
Low and moderate-income housing	6,213,900	-	6,213,900
Public safety	4,215,698	-	4,215,698
Street improvements	13,768,837	-	13,768,837
Special assessment districts	14,580,877	-	14,580,877
Fleet and equipment replacement	30,602,738	-	30,602,738
Endowments and Bequests:			
Nonexpendable	372,879	-	372,879
Expendable	48,322	-	48,322
Other purposes	1,890,701	-	1,890,701
Total restricted	<u>\$ 153,086,852</u>	<u>\$ 54,617,730</u>	<u>\$ 207,704,582</u>

Note 17 – Subsequent Events

A. Stockton Public Financing Authority- Revenue Bonds (Assessment and Special Tax District Refunding), Series 2016A

On June 28, 2016, the City Council, on Resolution 2016-06-28-1501 through 15-06 and the Stockton Public Financing Authority, on Resolution PFA 2016-06-28-1501 authorized the actions necessary to refund the outstanding debt of nine assessment and special tax districts in the City. The Revenue Bonds (“Bonds”), in the amount of \$33,350,000 are not obligations of the City and are funded solely through the collection of supplemental assessments on property tax bills on parcels in the respective districts. The Bonds closed on August 17, 2016, and carry an all in True Interest Cost (including all costs of the refunding) of 2.83% with the payoff of the last district portion on September 2, 2037. The bonds received a rating of A- by S&P and are insured by Build America Mutual.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 17 – Subsequent Events (Continued)

B. Successor Agency to the Redevelopment Agency of the City of Stockton, 2016 Tax Allocation Refunding Bonds, Series A, and B

On September 27, 2016 the City Council, on Resolution 2016-09-27-1501, the Stockton Public Financing Authority, on Resolution PFA 2016-09-27-1501, and Successor Agency, on Resolution SRD 2016-09-27-1501 authorized the actions necessary to refund the outstanding debt backed by pledged payments from the revenues of the former Redevelopment Agency (now Successor Agency) project areas. The Tax Allocation Bonds (“Bonds”), in the amount of \$73,310,000 (A Series Tax exempt) and \$30,010,000 (B-Series Taxable), are not obligations of the City and are funded solely through the tax receipts of the Successor Agency. The Bonds closed on November 3, 2016, and carry an all in True Interest Cost (including all costs of the refunding) of 3.51% (average rate on combined A&B Series), with a final payoff on September 1, 2033. The bonds received a rating of A- by S&P and are insured by Assured Guaranty.

C. Defeasance Actions

On September 1, 2016, The City and SPFA funded defeasance escrow accounts by the terms of escrow agreements entered into with the Escrow Agents for the below-mentioned bonds. As of September 2, 2016, October 1, 2016, payments of principal are considered defeased and no longer outstanding.

Senior Lien Water Enterprise Fund Securities:

- California Statewide Communities Development Authority 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)

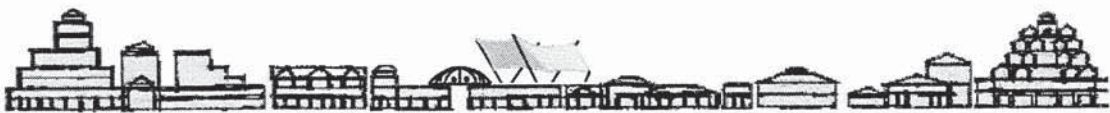
D. Police Department Labor Agreements

After June 30, 2016, and as of the date these financial statements were published, the City has entered into a new agreement with SPOA effective July 1, 2016, to June 30, 2019.

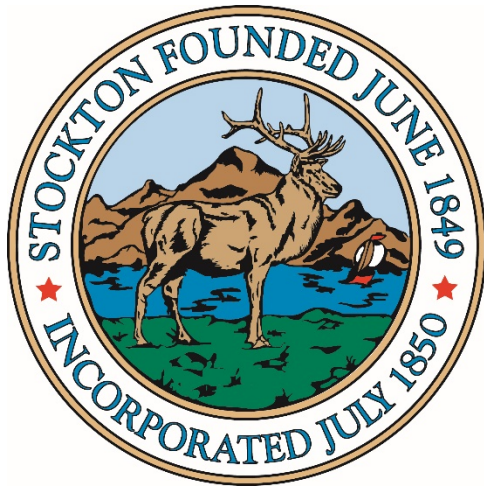
The Memorandum of Understanding between the SPOA and the City can be found on the City’s website at: http://www.stocktongov.com/files/SPOA_MOU_07012016_06302019.pdf



CITY OF STOCKTON



REQUIRED SUPPLEMENTARY INFORMATION



City of Stockton
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2016

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

Formal budgetary integration is employed as a management control device during the year for the General Fund and certain Special Revenue and Capital Projects Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternately achieved through bond indenture provisions.

All unencumbered appropriations lapse at year-end, with the exception of some capital improvement projects and miscellaneous grants in the respective funds. Encumbered appropriations are re-appropriated in the following year's budget.

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

1. Budgetary Information (Continued)

Budget Basis of Accounting

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

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

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

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

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

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

1. Budgetary Information (Continued)

Budget Comparison Schedule – General Fund

Budget Comparison Schedule - General Fund

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 30,871,000	\$ 30,871,000	\$ 30,646,304	\$ (224,696)
In lieu of sales tax	8,515,000	8,515,000	8,774,722	259,722
Utility user	33,408,440	33,408,440	33,378,793	(29,647)
Sales - levied by City	28,125,000	28,125,000	29,259,106	1,134,106
Franchise fees	12,381,570	12,381,570	12,396,693	15,123
Business license	9,417,000	9,417,000	10,669,613	1,252,613
Hotel/motel room	2,175,000	2,175,000	2,710,538	535,538
Document transfer	575,000	575,000	856,442	281,442
Other	968,478	968,478	1,534,854	566,376
Licenses and permits	373,108	373,108	483,601	110,493
Intergovernmental:				
Federal grants and subsidies	-	-	123,388	123,388
Sales and use tax - levied by state	38,998,000	38,998,000	40,209,735	1,211,735
Other governmental	27,632,205	27,632,205	27,298,374	(333,831)
Charges for services	9,772,349	9,772,349	9,576,356	(195,993)
Fines and forfeitures	762,009	762,009	528,472	(233,537)
Use of money and property	7,070,763	7,070,763	7,028,962	(41,801)
Investment income:				
Interest income	212,500	212,500	1,529,705	1,317,205
Refunds and reimbursements	2,174,239	2,331,124	2,650,020	318,896
Miscellaneous	4,686,924	4,686,924	4,528,135	(158,789)
Total revenues	<u>218,118,585</u>	<u>218,275,470</u>	<u>224,183,813</u>	<u>5,908,343</u>
EXPENDITURES:				
General government:				
City council	431,607	432,220	406,960	25,260
City manager	1,345,541	1,347,777	1,333,846	13,931
City attorney	1,219,750	1,223,946	1,137,610	86,336
City clerk	840,416	840,416	759,168	81,248
City auditor	716,274	1,281,051	604,453	676,598
Administrative services	4,860,283	4,736,279	3,998,347	737,932
Human resources	2,347,851	2,335,459	1,721,574	613,885
Housing	3,018,971	3,129,142	1,141,225	1,987,917
Non-departmental	6,901,368	9,084,368	4,624,768	4,459,600
Total general government	<u>21,682,061</u>	<u>24,410,658</u>	<u>15,727,951</u>	<u>8,682,707</u>

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

1. Budgetary Information (Continued)

Budget Comparison Schedule – General Fund (Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Police	102,868,433	102,984,045	95,949,069	7,034,976
Fire	39,639,603	40,171,754	38,979,719	1,192,035
Total public safety	142,508,036	143,155,799	134,928,788	8,227,011
Public works	5,091,176	5,281,474	4,649,711	631,763
Library	11,391,811	11,498,288	10,043,133	1,455,155
Parks and recreation	18,295,041	18,970,504	16,723,253	2,247,251
Capital Outlay	4,740,000	7,149,657	3,247,199	3,902,458
Total expenditures	203,708,125	210,466,380	185,320,035	25,146,345
DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS) (a)	14,410,460	7,809,090	38,863,778	31,054,688
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	500,000	500,000	378,993	(121,007)
Transfers in	944,529	990,565	988,531	(2,034)
Transfers out	(15,607,273)	(18,191,273)	(17,915,813)	275,460
Total other financing sources (uses)	(14,162,744)	(16,700,708)	(16,548,289)	152,419
NET CHANGE IN FUND BALANCE (GAAP BASIS)	\$ 247,716	\$ (8,891,618)	22,315,489	\$ 31,207,107
BASIS ADJUSTMENT:				
Encumbrances (included in Final Budget above) (a)			(4,477,474) *	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			17,838,015	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			71,328,183	
FUND BALANCE, END OF YEAR			\$ 89,166,198	

* Adjusted to Budgetary Basis.

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

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

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	\$ 2,272,397	\$ 3,006,481	\$ 413,274	\$ (2,593,207)
Use of money and property	250,000	250,000	301,605	51,605
Interest income	-	-	1,097	1,097
Total revenues	<u>2,522,397</u>	<u>3,256,481</u>	<u>715,976</u>	<u>(2,540,505)</u>
EXPENDITURES:				
Capital outlay	<u>2,522,397</u>	<u>3,256,481</u>	<u>804,048</u>	<u>2,452,433</u>
Total expenditures	<u>2,522,397</u>	<u>3,256,481</u>	<u>804,048</u>	<u>2,452,433</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES (GAAP BASIS)	<u>-</u>	<u>-</u>	<u>(88,072)</u>	<u>(88,072)</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u>\$ -</u>	<u>\$ -</u>	<u>(88,072)</u>	<u>\$ (88,072)</u>
BASIS ADJUSTMENT:				
Encumbrances (included in Final Budget above)			<u>(2,000)</u> *	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			(90,072)	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			<u>311,808</u>	
FUND BALANCE, END OF YEAR			<u>\$ 221,736</u>	

* Adjusted to Budgetary Basis.

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

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

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	\$ -	\$ -	\$ 84,307	\$ 84,307
Interest income	-	-	22,772	22,772
Miscellaneous	2,930,614	3,033,481	4,102,444	1,068,963
Total revenues	<u>2,930,614</u>	<u>3,033,481</u>	<u>4,209,523</u>	<u>1,176,042</u>
EXPENDITURES:				
General government	2,126,661	2,126,661	2,126,659	2
Capital outlay	69,427	3,269,427	1,047,926	2,221,501
Debt service:				-
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>2,196,088</u>	<u>5,396,088</u>	<u>3,174,585</u>	<u>2,221,503</u>
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	<u>734,526</u>	<u>(2,362,607)</u>	<u>1,034,938</u>	<u>3,397,545</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(803,952)	(807,510)	(807,509)	1
Total other financing sources (uses)	<u>(803,952)</u>	<u>(807,510)</u>	<u>(807,509)</u>	<u>1</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u>\$ (69,426)</u>	<u>\$ (3,170,117)</u>	227,429	<u>\$ 3,397,546</u>
BASIS ADJUSTMENT:				
Encumbrances			-	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			227,429	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			<u>5,986,471</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,213,900</u>	

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

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

2. Defined Benefit Pension Plan Funded Status

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

Safety Plan	Measurement Date	
	2015	2014
Total pension liability		
Service cost	\$ 13,593,233	\$ 13,907,523
Interest	67,693,599	65,730,714
Changes of benefit terms	-	-
Differences between expected and actual experience	(5,410,590)	-
Changes of assumptions	(16,908,140)	-
Benefit payments, including refunds of employee contributions	(49,614,935)	(47,761,534)
Net change in total pension liability	9,353,167	31,876,703
Total pension liability - beginning	925,213,230	893,336,527
Total pension liability - ending (a)	<u>\$ 934,566,397</u>	<u>\$ 925,213,230</u>
Plan fiduciary net position		
Contributions - employer	17,178,961	13,818,051
Contributions - employee	5,896,729	6,449,394
Net investment income	15,155,169	105,163,288
Benefit payments, including refunds of employee contributions	(49,614,935)	(47,761,534)
Plan to plan resource movement	3,305	-
Administrative expense	(771,300)	-
Other	-	-
Net change in plan fiduciary net position	\$ (12,152,071)	\$ 77,669,199
Plan fiduciary net position - beginning	695,136,418	617,467,219
Plan fiduciary net position - ending (b)	<u>682,984,347</u>	<u>695,136,418</u>
City's net pension liability - ending (a) - (b)	<u>\$ 251,582,050</u>	<u>\$ 230,076,812</u>
Plan fiduciary net position as a percentage of the total pension liability	73.08%	75.13%
Covered - employee payroll	\$ 46,710,538	\$ 45,422,701
City's net pension liability as a percentage of covered employee payroll	538.60%	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, 2014. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent per GASB Statement Number 68.

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

2. Defined Benefit Pension Plan Funded Status (Continued)

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

Miscellaneous Plan	Measurement Date	
	2015	2014
Total pension liability		
Service cost	\$ 9,145,587	\$ 9,440,824
Interest	47,148,768	46,152,921
Changes of benefit terms	-	-
Differences between expected and actual experience	(10,000,256)	-
Changes of assumptions	(11,281,319)	-
Benefit payments, including refunds of employee contributions	(33,662,380)	(32,763,729)
Net change in total pension liability	1,350,400	22,830,016
Total pension liability - beginning	649,863,743	627,033,727
Total pension liability - ending (a)	<u>\$ 651,214,143</u>	<u>\$ 649,863,743</u>
Plan fiduciary net position		
Contributions - employer	10,783,508	9,402,881
Contributions - employee	3,802,226	3,761,959
Net investment income	11,522,892	79,512,728
Benefit payments, including refunds of employee contributions	(33,662,380)	(32,763,729)
Plan to plan resource movement	(13,377)	-
Administrative expense	(599,978)	-
Other	-	-
Net change in plan fiduciary net position	\$ (8,167,109)	\$ 59,913,839
Plan fiduciary net position - beginning	525,617,589	465,703,750
Plan fiduciary net position - ending (b)	<u>517,450,480</u>	<u>525,617,589</u>
City's net pension liability - ending (a) - (b)	<u>\$ 133,763,663</u>	<u>\$ 124,246,154</u>
Plan fiduciary net position as a percentage of the total pension liability	79.46%	80.88%
Covered - employee payroll	\$ 53,997,677	\$ 52,603,907
City's net pension liability as a percentage of covered employee payroll	247.72%	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, 2014. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent per GASB Statement Number 68.

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

2. Defined Benefit Pension Plan Funded Status (Continued)

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

Enhancement Plan	Measurement Date	
	2015	2014
Total pension liability		
Service cost	\$ 150,623	\$ 145,882
Interest	680,023	650,386
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(397,530)	(358,380)
Net change in total pension liability	433,116	437,888
Total pension liability - beginning	9,759,398	9,321,510
Total pension liability - ending (a)	<u>\$ 10,192,514</u>	<u>\$ 9,759,398</u>
Plan fiduciary net position		
Contributions - employer	705,192	751,157
Contributions - employee	-	-
Net investment income	8,851	124,454
Benefit payments, including refunds of employee contributions	(397,530)	(358,380)
Administrative expense	(43,490)	(966)
Other	-	-
Net change in plan fiduciary net position	\$ 273,023	\$ 516,265
Plan fiduciary net position - beginning	5,574,691	5,058,426
Plan fiduciary net position - ending (b)	<u>5,847,714</u>	<u>5,574,691</u>
City's net pension liability - ending (a) - (b)	<u>\$ 4,344,800</u>	<u>\$ 4,184,707</u>
Plan fiduciary net position as a percentage of the total pension liability	57.37%	57.12%
Covered - employee payroll	\$ 3,454,139	\$ 3,610,315
City's net pension liability as a percentage of covered employee payroll	125.79%	115.91%

City of Stockton
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2016

2. Defined Benefit Pension Plan Funded Status (Continued)

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

Safety Plan	Fiscal Year	
	2016	2015
Actuarially determined contribution	\$ 17,178,961	\$ 13,818,051
Contributions in relation to the actuarially determined contribution	(17,178,961)	(13,818,051)
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll	\$ 46,710,538	\$ 45,422,701
City's Contributions as a percentage of covered employee payroll	36.78%	30.42%

SAFTEY PLAN:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal.
Amortization method/Period	For details, see June 30, 2012 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. Varies, see June 30, 2012 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, 2016

2. Defined Benefit Pension Plan Funded Status (Continued)

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

Miscellaneous Plan	Fiscal Year	
	2016	2015
Actuarially determined contribution	\$ 10,783,518	\$ 9,402,881
Contributions in relation to the actuarially determined contribution	(10,783,518)	(9,402,881)
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll	\$ 53,997,677	\$ 52,603,907
City's Contributions as a percentage of covered employee payroll	19.97%	17.87%

MISCELLANEOUS PLAN:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal.
Amortization Method/Period	Varies, see June 30, 2012 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. Varies, see June 30, 2012 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, 2016

2. Defined Benefit Pension Plan Funded Status (Continued)

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

Enhancement Plan	Fiscal Year	
	2016	2015
Actuarially determined contribution	\$ 705,192	\$ 700,451
Contributions in relation to the actuarially determined contribution	(705,192)	(751,157)
Contribution deficiency (excess)	\$ -	\$ (50,706)
Covered - employee payroll	\$ 3,454,139	\$ 3,610,315
City's Contributions as a percentage of covered employee payroll	20.42%	20.81%

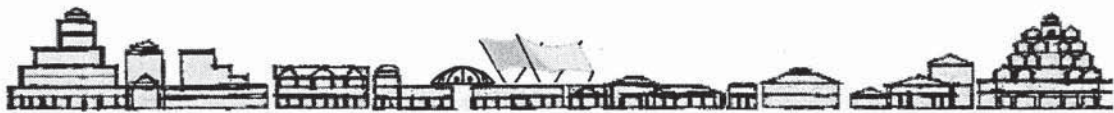
ENHANCEMENT PLAN:

Methods and assumptions used to determine contribution rates:

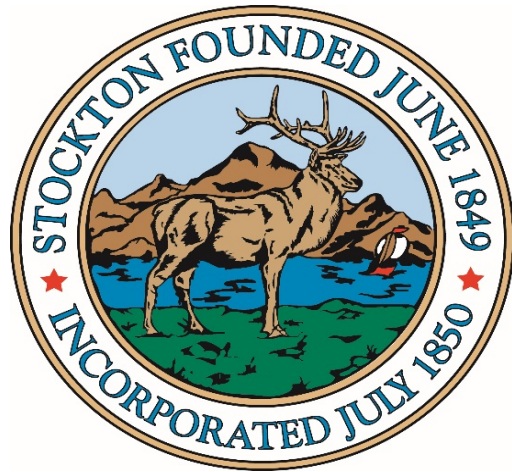
Actuarial cost method	Entry Age Normal.
Amortization method	Level dollar, closed.
Remaining amortization period	13.67 years
Asset valuation method	None
Inflation	2.75%
Salary increases	Varies by entry age and service.
Investment rate of return	7.00%
Retirement age	Consistent with those used to value 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.
Mortality	Pre-retirement: CalPERS Miscellaneous Non-Industrial Rates. 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

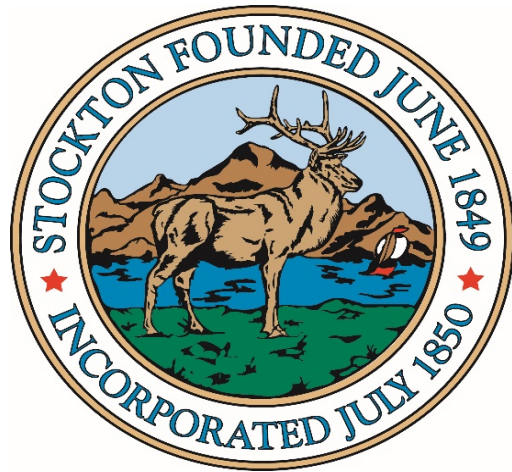
To account for revenues and expenditures related to levies on property owners as approved by the City Council and state laws for special types of services – basic street and neighborhood lighting, land and streetscapes, and stormwater drainage maintenance services.

Community Development Block Grant Programs Fund

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

Neighborhood Stabilization Loan Program Fund

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



NON-MAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

Housing Grants and Loans Program Fund

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

Transportation Development Act Fund

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

Development Services Fund

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

Cal-Home Programs Fund

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

Other Special Revenue Fund

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

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 –

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, 2016

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
ASSETS				
Assets:				
Cash and investments	\$ 2,105,664	\$ 1,941,097	\$ 2,885,711	\$ 9,826,764
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	-	4,699	-	25,239
Accounts and other	88,444	-	-	-
Due from other governments, net	2,147,678	-	463,548	1,890,832
Loans to property owners, net	-	-	-	-
Total assets	\$ 4,341,786	\$ 1,945,796	\$ 3,349,259	\$ 11,742,835
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 549,136	\$ 7,000	\$ 144,288	\$ 169,291
Accrued payroll	207,574	44,180	160,240	39,483
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	3,915	-	-
Unearned revenue	2,774,229	-	-	278,543
Total liabilities	3,530,939	55,095	304,528	487,317
Deferred Inflows of Resources:				
Unavailable revenue - Loans to property owners	-	-	-	-
Unavailable revenue - Other	-	-	-	265,127
Total deferred inflows of resource	-	-	-	265,127
Fund Balances (Deficit):				
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
Restricted	810,847	1,890,701	3,044,731	10,990,391
Total fund balances (deficit)	810,847	1,890,701	3,044,731	10,990,391
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 4,341,786	\$ 1,945,796	\$ 3,349,259	\$ 11,742,835

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue				
	Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grants / Loans Program
ASSETS					
Assets:					
Cash and investments	\$ 2,106,845	\$ 14,732,441	\$ 746,617	\$ -	\$ 1,348,211
Cash and investments with fiscal agents	-	-	-	-	1,260,397
Receivables, net:					
Interest	3,898	36,414	-	-	-
Accounts and other	-	331	10,239	-	-
Due from other governments, net	1,875,999	-	157,735	215,551	-
Loans to property owners, net	-	-	19,605,063	8,755,594	-
Total assets	\$ 3,986,742	\$ 14,769,186	\$ 20,519,654	\$ 8,971,145	\$ 2,608,608
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 225,924	\$ 166,146	\$ 110,184	\$ 3,489	\$ -
Accrued payroll	355,967	22,163	28,254	1,803	-
Due to other funds	-	-	-	210,259	-
Due to other governments	-	-	3,993	-	-
Deposits and other liabilities	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	581,891	188,309	142,431	215,551	-
Deferred Inflows of Resources:					
Unavailable revenue - Loans to property owners	-	-	19,605,063	8,755,594	-
Unavailable revenue - Other	-	-	-	-	-
Total deferred inflows of resource	-	-	19,605,063	8,755,594	-
Fund Balances (Deficit):					
Nonspendable	-	-	-	-	-
Unassigned	-	-	-	-	-
Restricted	3,404,851	14,580,877	772,160	-	2,608,608
Total fund balances (deficit)	3,404,851	14,580,877	772,160	-	2,608,608
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 3,986,742	\$ 14,769,186	\$ 20,519,654	\$ 8,971,145	\$ 2,608,608

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue			
	Development Services	CalHome Programs	Other Special Revenue	Transportation Development Act
ASSETS				
Assets:				
Cash and investments	\$ 9,071,240	\$ 352,080	\$ 1,165,918	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	21,070	-	-	-
Accounts and other	472,607	546	138	-
Due from other governments, net	-	-	7,564	266,285
Loans to property owners, net	-	3,640,003	-	-
Total assets	\$ 9,564,917	\$ 3,992,629	\$ 1,173,620	\$ 266,285
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 208,477	\$ -	\$ 18,852	\$ 27,197
Accrued payroll	231,327	-	2,364	-
Due to other funds	-	-	-	239,088
Due to other governments	-	-	-	-
Deposits and other liabilities	386,974	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	826,778	-	21,216	266,285
Deferred Inflows of Resources:				
Unavailable revenue - Loans to property owners	-	3,640,003	-	-
Unavailable revenue - Other	299,054	-	-	266,285
Total deferred inflows of resource	299,054	3,640,003	-	266,285
Fund Balances (Deficit):				
Nonspendable	-	-	-	-
Unassigned	-	-	-	(266,285)
Restricted	8,439,085	\$352,626	1,152,404	-
Total fund balances	8,439,085	352,626	1,152,404	(266,285)
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 9,564,917	\$ 3,992,629	\$ 1,173,620	\$ 266,285

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent</u>	
	Public Facilities Impact Fees	Stockton Public Financing Authority	Miscellaneous	Totals
ASSETS				
Assets:				
Cash and investments	\$ 42,708,697	\$ 2,024,933	\$ 420,530	\$ 91,436,748
Cash and investments with fiscal agents	-	1,001,791	-	2,262,188
Receivables, net:				
Interest	102,483	1,170	671	195,644
Accounts and other	194,991	4,909	-	772,205
Due from other governments, net	-	-	-	7,025,192
Loans to property owners, net	-	-	-	32,000,660
Total assets	<u>\$ 43,006,171</u>	<u>\$ 3,032,803</u>	<u>\$ 421,201</u>	<u>\$ 133,692,637</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,625	\$ 11,328	\$ -	\$ 1,654,937
Accrued payroll	3,097	22,626	-	1,119,078
Due to other funds	-	-	-	449,347
Due to other governments	-	-	-	3,993
Deposits and other liabilities	-	-	-	390,889
Unearned revenue	-	-	-	3,052,772
Total liabilities	<u>16,722</u>	<u>33,954</u>	<u>-</u>	<u>6,671,016</u>
Deferred Inflows of Resources:				
Unavailable revenue - Loans to property owners	-	-	-	32,000,660
Unavailable revenue - Other	194,991	-	-	1,025,457
Total deferred inflows of resource	<u>194,991</u>	<u>-</u>	<u>-</u>	<u>33,026,117</u>
Fund Balances (Deficit):				
Nonspendable	-	-	372,879	372,879
Unassigned	-	-	-	(266,285)
Restricted	42,794,458	2,998,849	48,322	93,888,910
Total fund balances	<u>42,794,458</u>	<u>2,998,849</u>	<u>421,201</u>	<u>93,995,504</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 43,006,171</u>	<u>\$ 3,032,803</u>	<u>\$ 421,201</u>	<u>\$ 133,692,637</u>

(Concluded)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
REVENUES:				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	4,058,767	-	-	-
Sales and use tax - levied by state	-	-	-	4,887,468
Other governmental	1,577,817	-	6,162,154	871,071
Charges for services	1,095,299	-	564	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Investment income:				
Interest income	6,499	33,472	14,052	165,665
Refunds and reimbursements	-	-	512	2,365,566
Miscellaneous	164,366	1,327,014	-	-
Total revenues	6,902,748	1,360,486	6,177,282	8,289,770
EXPENDITURES:				
Current:				
General government	699,476	-	-	-
Public safety	4,999,074	-	-	-
Public works	34,356	1,376,617	6,615,884	1,948,477
Library	45,154	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	779,988	1,908	10,461	1,961,782
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	6,558,048	1,378,525	6,626,345	3,910,259
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	344,700	(18,039)	(449,063)	4,379,511
OTHER FINANCING SOURCES (USES):				
Transfers in	60,575	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	60,575	-	-	-
CHANGE IN FUND BALANCES	405,275	(18,039)	(449,063)	4,379,511
FUND BALANCES:				
Beginning of year	405,572	1,908,740	3,493,794	6,610,880
End of year	\$ 810,847	\$ 1,890,701	\$ 3,044,731	\$ 10,990,391

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue				
	Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grants / Loans Program
	REVENUES:				
Taxes:					
Sales - levied by City	\$ 9,811,211	\$ -	\$ -	\$ -	\$ -
Business licenses	-	1,325,868	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental:					
Federal grants and subsidies	-	-	3,447,643	502,383	-
Sales and use tax - levied by state	-	-	-	-	-
Other governmental	-	-	-	-	-
Charges for services	-	3,195,187	1,875	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	341,028	314,297	-
Investment income:					
Interest income	31,182	257,338	984	1,931	1,894
Refunds and reimbursements	-	-	-	-	-
Miscellaneous	-	-	1,637	-	-
Total revenues	9,842,393	4,778,393	3,793,167	818,611	1,894
EXPENDITURES:					
Current:					
General government	-	1,659,133	-	-	-
Public safety	9,318,920	-	-	-	-
Public works	-	232,641	-	-	-
Library	-	-	-	-	-
Parks and recreation	-	2,610,604	-	-	-
Capital outlay	168,488	-	2,397,326	1,391,672	-
Debt service:					
Principal retirement	-	-	1,365,000	-	-
Interest and fiscal charges	-	-	495,746	-	-
Total expenditures	9,487,408	4,502,378	4,258,072	1,391,672	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	354,985	276,015	(464,905)	(573,061)	1,894
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
CHANGE IN FUND BALANCES	354,985	276,015	(464,905)	(573,061)	1,894
FUND BALANCES:					
Beginning of year	3,049,866	14,304,862	1,237,065	573,061	2,606,714
End of year	\$ 3,404,851	\$ 14,580,877	\$ 772,160	\$ -	\$ 2,608,608

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

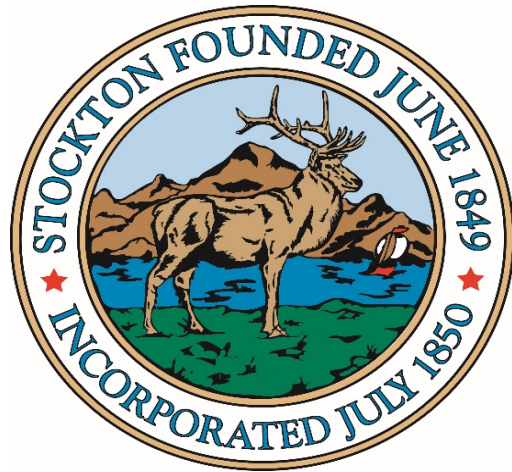
	Special Revenue			
	Development Services	CalHome Programs	Other Special Revenue	Transportation Development Act
REVENUES:				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Licenses and permits	4,804,924	-	58,025	-
Intergovernmental:				
Federal grants and subsidies	-	-	2,880	-
Sales and use tax - levied by state	-	-	-	-
Other governmental	-	290,666	29,868	-
Charges for services	4,413,139	-	26,227	-
Fines and forfeitures	95,142	-	-	-
Use of money and property	-	44,818	-	-
Investment income:				
Interest income	148,135	1,500	6,033	1,010
Refunds and reimbursements	58,786	-	4,400	-
Miscellaneous	112,036	-	211,209	-
Total revenues	9,632,162	336,984	338,642	1,010
EXPENDITURES:				
Current:				
General government	6,565,264	-	95,477	-
Public safety	1,283,943	-	304,246	-
Public works	-	-	-	-
Library	-	-	18,546	-
Parks and recreation	-	-	6,425	-
Capital outlay	10,671	194,604	11,088	543,937
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	7,859,878	194,604	435,782	543,937
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,772,284	142,380	(97,140)	(542,927)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,000,000	-	-	-
Transfers out	-	-	(36,035)	-
Total other financing sources (uses)	1,000,000	-	(36,035)	-
CHANGES IN FUND BALANCES	2,772,284	142,380	(133,175)	(542,927)
FUND BALANCES:				
Beginning of year	5,666,801	210,246	1,285,579	276,642
End of year	\$ 8,439,085	\$ 352,626	\$ 1,152,404	\$ (266,285)

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City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

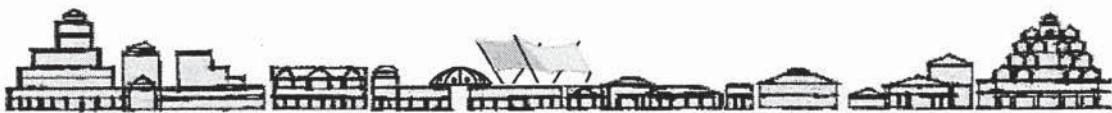
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent</u>	
	Public	Stockton Public		
	Facilities	Financing		
	<u>Impact Fees</u>	<u>Authority</u>	<u>Miscellaneous</u>	<u>Totals</u>
REVENUES:				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ 9,811,211
Business licenses	-	-	-	1,325,868
Licenses and permits	-	-	-	4,862,949
Intergovernmental:				
Federal grants and subsidies	-	-	-	8,011,673
Sales and use tax - levied by state	-	-	-	4,887,468
Other governmental	-	-	-	8,931,576
Charges for services	6,719,314	1,445,446	-	16,897,051
Fines and forfeitures	-	-	-	95,142
Use of money and property	52,991	-	-	753,134
Investment income:				
Interest income	723,548	22,225	15,126	1,430,594
Refunds and reimbursements	-	-	-	2,429,264
Miscellaneous	-	195,304	-	2,011,566
Total revenues	<u>7,495,853</u>	<u>1,662,975</u>	<u>15,126</u>	<u>61,447,496</u>
EXPENDITURES:				
Current:				
General government	-	270,358	-	9,289,708
Public safety	17,842	-	-	15,924,025
Public works	3,148	-	-	10,211,123
Library	-	-	-	63,700
Parks and recreation	39,840	-	-	2,656,869
Capital outlay	473,275	-	-	7,945,200
Debt service:				
Principal retirement	-	1,959,497	-	3,324,497
Interest and fiscal charges	-	1,623,479	-	2,119,225
Total expenditures	<u>534,105</u>	<u>3,853,334</u>	<u>-</u>	<u>51,534,347</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,961,748</u>	<u>(2,190,359)</u>	<u>15,126</u>	<u>9,913,149</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,253	2,227,747	-	3,292,575
Transfers out	-	-	-	(36,035)
Total other financing sources (uses)	<u>4,253</u>	<u>2,227,747</u>	<u>-</u>	<u>3,256,540</u>
CHANGES IN FUND BALANCES	<u>6,966,001</u>	<u>37,388</u>	<u>15,126</u>	<u>13,169,689</u>
FUND BALANCES:				
Beginning of year	<u>35,828,457</u>	<u>2,961,461</u>	<u>406,075</u>	<u>80,825,815</u>
End of year	<u>\$ 42,794,458</u>	<u>\$ 2,998,849</u>	<u>\$ 421,201</u>	<u>\$ 93,995,504</u>

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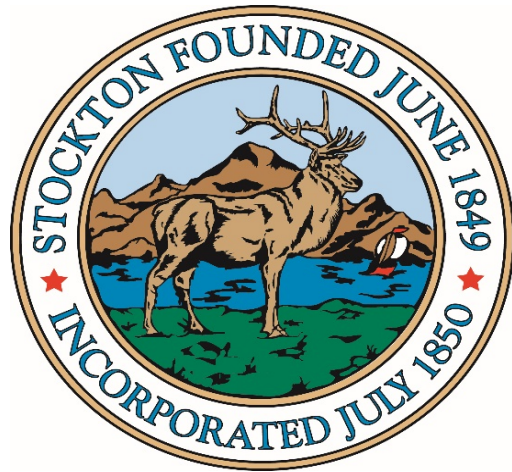




CITY OF STOCKTON



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, 2016

	Downtown Marina	Golf Courses	Total
ASSETS			
Current assets:			
Cash and investments	\$ 326,618	\$ 115,537	\$ 442,155
Receivables, net:			
Interest	722	-	722
Accounts and other receivables	19,321	5,681	25,002
Prepaid items	8,567	11,104	19,671
Inventory of supplies	-	42,469	42,469
Total current assets	<u>355,228</u>	<u>174,791</u>	<u>530,019</u>
Noncurrent assets:			
Capital assets, net:			
Nondepreciable	-	359,805	359,805
Depreciable, net	23,895,306	688,993	24,584,299
Total noncurrent assets	<u>23,895,306</u>	<u>1,048,798</u>	<u>24,944,104</u>
Total assets	<u>24,250,534</u>	<u>1,223,589</u>	<u>25,474,123</u>
LIABILITIES			
Current liabilities:			
Accounts payable	19,044	70,563	89,607
Accrued payroll	213	895	1,108
Deposits and other liabilities	18,086	82,334	100,420
Due to other governments	-	2,177	2,177
Total current liabilities	<u>37,343</u>	<u>155,969</u>	<u>193,312</u>
Noncurrent liabilities:			
Notes payable	10,870,821	-	10,870,821
Total noncurrent liabilities	<u>10,870,821</u>	<u>-</u>	<u>10,870,821</u>
Total liabilities	<u>10,908,164</u>	<u>155,969</u>	<u>11,064,133</u>
NET POSITION			
Net investment in capital assets	13,024,485	1,048,798	14,073,283
Unrestricted (deficit)	317,885	18,822	336,707
Total net position	<u>\$ 13,342,370</u>	<u>\$ 1,067,620</u>	<u>\$ 14,409,990</u>

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

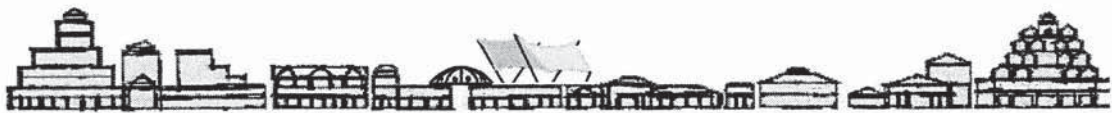
	Garden Refuse	Downtown Marina	Golf Courses	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 237,146	\$ 828,566	\$ 1,065,712
Miscellaneous	-	2,766	681,765	684,531
Total operating revenues	-	239,912	1,510,331	1,750,243
OPERATING EXPENSES:				
Operation and maintenance	-	362,532	2,137,666	2,500,198
General and administrative	-	3,237	-	3,237
Depreciation and amortization	-	533,910	79,085	612,995
Total operating expenses	-	899,679	2,216,751	3,116,430
OPERATING INCOME (LOSS)	-	(659,767)	(706,420)	(1,366,187)
NON-OPERATING REVENUES AND EXPENSES:				
Investment income:				
Interest income	-	5,253	(923)	4,330
Total non-operating revenues (expenses)	-	5,253	(923)	4,330
INCOME (LOSS) BEFORE TRANSFERS	-	(654,514)	(707,343)	(1,361,857)
Transfers in	-	215,000	550,000	765,000
CHANGE IN NET POSITION	-	(439,514)	(157,343)	(596,857)
NET POSITION				
Beginning of year	-	13,781,884	1,224,963	15,006,847
End of year	\$ -	\$ 13,342,370	\$ 1,067,620	\$ 14,409,990

City of Stockton
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

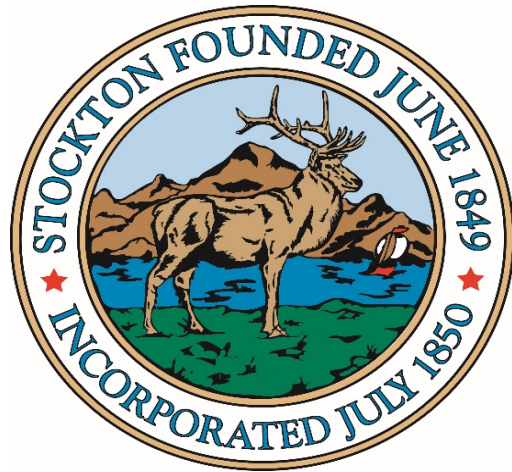
	Garden Refuse	Downtown Marina	Golf Courses	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ -	\$ 228,705	\$ 1,516,845	\$ 1,745,550
Payments to suppliers	-	(367,611)	(2,139,725)	(2,507,336)
Payments to employees	-	(1,616)	(26,239)	(27,855)
Net cash (used for) operating activities	-	(140,522)	(649,119)	(789,641)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	-	(1)	(46,124)	(46,125)
Net cash (used for) noncapital financing activities	-	(1)	(46,124)	(46,125)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	215,000	550,000	765,000
Net cash provided by noncapital financing activities	-	215,000	550,000	765,000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	-	4,531	(923)	3,608
Net cash provided by (used for) noncapital financing activities	-	4,531	(923)	3,608
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	79,008	(146,166)	(67,158)
CASH AND CASH EQUIVALENTS:				
Beginning of year	-	247,610	261,703	509,313
End of year	\$ -	\$ 326,618	\$ 115,537	\$ 442,155
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ (659,767)	\$ (706,420)	\$ (1,366,187)
Adjustments to reconcile operating loss to net cash provided (used for) by operating activities:				
Depreciation and amortization	-	533,910	79,085	612,995
Changes in assets and liabilities:				
Accounts and other receivables	-	2,915	(5,681)	(2,766)
Prepays	-	(1,309)	(9,592)	(10,901)
Inventory of supplies	-	-	4,347	4,347
Accounts payable	-	(2,362)	(18,901)	(21,263)
Accrued payroll	-	213	(943)	(730)
Due to other governments	-	-	1,138	1,138
Deposits and other liabilities	-	(14,122)	7,848	(6,274)
Net cash (used for) operating activities	\$ -	\$ (140,522)	\$ (649,119)	\$ (789,641)



CITY OF STOCKTON



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, 2016

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits	Other Benefits & Insurance
ASSETS					
Current assets:					
Cash and investments	\$ 14,869,328	\$ 31,846,645	\$ 13,425,923	\$ 3,029,102	\$ 3,080,720
Receivables, net:					
Accounts and other receivables	376,202	76,029	32,065	7,526	7,659
Due from other funds	-	449,347	-	-	-
Deposits and advances	-	-	1,159,000	-	-
Prepaid items	-	-	-	-	-
Total current assets	15,245,530	32,372,021	14,616,988	3,036,628	3,088,379
Noncurrent assets:					
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Capital assets, net	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total assets	15,245,530	32,372,021	14,616,988	3,036,628	3,088,379
LIABILITIES					
Current liabilities:					
Accounts payable	34,883	44,589	19,574	17,425	39,870
Accrued payroll	48,209	18,574	23,371	424	-
Deposits and other liabilities	-	49,104	-	-	-
Accrued interest	-	-	-	-	-
Capital lease obligations - current	-	-	-	-	-
Compensated absences - current	12,282	12,580	14,489	-	-
Self-insurance claims and judgments - current	1,354,306	8,317,000	582,600	-	-
Total current liabilities	1,449,680	8,441,847	640,034	17,849	39,870
Noncurrent liabilities:					
Loans from other funds	-	500,000	-	-	-
Compensated absences - long-term	4,412	2,109	16,224	-	-
Self-insurance claims and judgments - long-term	6,473,260	52,945,000	-	-	-
Capital lease obligations - long term	-	-	-	-	-
Total noncurrent liabilities	6,477,672	53,447,109	16,224	-	-
Total liabilities	7,927,352	61,888,956	656,258	17,849	39,870
DEFERRED INFLOWS OF RESOURCES					
Deferred rent	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
NET POSITION					
Net investment in capital assets	-	-	-	-	-
Restricted for fleet and equipment replacement	-	-	-	-	-
Unrestricted (deficits)	7,318,178	(29,516,935)	13,960,730	3,018,779	3,048,509
Total net position	\$ 7,318,178	\$ (29,516,935)	\$ 13,960,730	\$ 3,018,779	\$ 3,048,509

City of Stockton
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2016

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
ASSETS					
Current assets:					
Cash and investments	\$ 5,121,253	\$ 20,547,686	\$ 2,105,931	\$ 3,266,359	\$ 97,292,947
Receivables, net:					
Accounts and other receivables	12,152	48,851	4,963	7,394	572,841
Due from other funds	-	-	-	-	449,347
Deposits and advances	-	-	-	-	1,159,000
Prepaid items	-	487,968	10,626	47,207	545,801
Total current assets	5,133,405	21,084,505	2,121,520	3,320,960	100,019,936
Noncurrent assets:					
Restricted assets:					
Cash and investments with fiscal agents	853,482	-	-	-	853,482
Capital assets, net	17,252,261	1,652,577	829,585	141,589	19,876,012
Total noncurrent assets	18,105,743	1,652,577	829,585	141,589	20,729,494
Total assets	23,239,148	22,737,082	2,951,105	3,462,549	120,749,430
LIABILITIES					
Current liabilities:					
Accounts payable	807,121	125,601	26,983	46,704	1,162,750
Accrued payroll	124,304	170,926	5,960	11,846	403,614
Deposits and other liabilities	-	-	-	-	49,104
Accrued interest	65,411	-	-	-	65,411
Capital lease obligations - current	422,894	-	-	-	422,894
Compensated absences - current	83,712	178,747	5,700	7,188	314,698
Self-insurance claims and judgments - current	-	-	-	-	10,253,906
Total current liabilities	1,503,442	475,274	38,643	65,738	12,672,377
Noncurrent liabilities:					
Loans from other funds	-	-	-	-	500,000
Compensated absences - long-term	34,428	115,766	2,497	361	175,797
Self-insurance claims and judgments - long-term	-	-	-	-	59,418,260
Capital lease obligations - long term	3,225,392	-	-	-	3,225,392
Total noncurrent liabilities	3,259,820	115,766	2,497	361	63,319,449
Total liabilities	4,763,262	591,040	41,140	66,099	75,991,826
DEFERRED INFLOWS OF RESOURCES					
Deferred rent	-	97,879	-	-	97,879
Total deferred inflows of resources	-	97,879	-	-	97,879
NET POSITION					
Net investment in capital assets	13,603,975	1,652,577	829,585	141,589	16,227,726
Restricted for fleet and equipment replacement	4,871,911	20,395,586	2,080,380	3,254,861	30,602,738
Unrestricted (deficits)	-	-	-	-	(2,170,739)
Total net position	\$ 18,475,886	\$ 22,048,163	\$ 2,909,965	\$ 3,396,450	\$ 44,659,725

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits	Other Benefits & Insurance
OPERATING REVENUES:					
Charges for services	\$ 6,319,758	\$ 14,727,151	\$ 19,247,462	\$ 42,701,404	\$ 1,368,606
Miscellaneous	-	212	-	-	-
Total operating revenues	6,319,758	14,727,363	19,247,462	42,701,404	1,368,606
OPERATING EXPENSES:					
Operation and maintenance	2,625,260	11,928,251	16,565,191	43,815,145	1,517,561
General and administrative	1,228,396	2,154,744	819,010	-	-
Depreciation and amortization	-	-	-	-	-
Total operating expenses	3,853,656	14,082,995	17,384,201	43,815,145	1,517,561
OPERATING INCOME (LOSS)	2,466,102	644,368	1,863,261	(1,113,741)	(148,955)
NON-OPERATING REVENUES (EXPENSES):					
Investment income:					
Interest income	253,291	533,098	223,543	53,286	54,367
Gain from disposal of capital assets	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	-
Other non-operating revenues	-	-	132,217	-	-
Total non-operating revenues (expenses)	253,291	533,098	355,760	53,286	54,367
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,719,393	1,177,466	2,219,021	(1,060,455)	(94,588)
Capital contributions	-	-	-	-	-
Transfers in	-	500,000	-	500,000	-
Transfers out	-	-	-	-	-
CHANGES IN NET POSITION	2,719,393	1,677,466	2,219,021	(560,455)	(94,588)
NET POSITION:					
Beginning of year	4,598,785	(31,194,401)	11,741,709	3,579,234	3,143,097
End of year	\$ 7,318,178	\$ (29,516,935)	\$ 13,960,730	\$ 3,018,779	\$ 3,048,509

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Internal Service Funds
For the Year Ended June 30, 2016

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
OPERATING REVENUES:					
Charges for services	\$ 9,708,230	\$ 11,185,685	\$ 1,562,762	\$ 2,208,244	\$ 109,029,302
Miscellaneous	-	-	-	-	212
Total operating revenues	9,708,230	11,185,685	1,562,762	2,208,244	109,029,514
OPERATING EXPENSES:					
Operation and maintenance	4,780,151	8,593,118	1,044,502	1,241,540	92,110,719
General and administrative	1,561,706	-	-	-	5,763,856
Depreciation and amortization	3,408,649	404,586	134,868	39,640	3,987,743
Total operating expenses	9,750,506	8,997,704	1,179,370	1,281,180	101,862,318
OPERATING INCOME (LOSS)	(42,276)	2,187,981	383,392	927,064	7,167,196
NON-OPERATING REVENUES (EXPENSES):					
Investment income:					
Interest income	88,082	345,817	35,778	52,858	1,640,120
Gain from disposal of capital assets	189,426	-	-	-	189,426
Interest expense and fiscal charges	(129,955)	-	-	-	(129,955)
Other non-operating revenues	-	-	-	-	132,217
Total non-operating revenues (expenses)	147,553	345,817	35,778	52,858	1,831,808
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	105,277	2,533,798	419,170	979,922	8,999,004
Capital contributions	2,207,933	112,204	-	15,046	2,335,183
Transfers in	714,641	1,035,000	-	-	2,749,641
Transfers out	-	(18,312)	(134,759)	-	(153,071)
CHANGES IN NET POSITION	3,027,851	3,662,690	284,411	994,968	13,930,757
NET POSITION:					
Beginning of year	15,448,035	18,385,473	2,625,554	2,401,482	30,728,968
End of year	\$ 18,475,886	\$ 22,048,163	\$ 2,909,965	\$ 3,396,450	\$ 44,659,725

City of Stockton
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits	Other Benefits & Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 6,513,037	\$ 14,651,586	\$ 19,301,401	\$ 42,693,878	\$ 1,360,947
Receipts for interfund services provided	-	-	132,217	-	-
Payments to suppliers	(3,669,779)	(7,745,156)	(17,070,921)	(43,775,601)	(607,061)
Payments to employees	(1,092,086)	(419,496)	(525,122)	(22,684)	(1,021,958)
Net cash provided by (used in) operating activities	1,751,172	6,486,934	1,837,575	(1,104,407)	(268,072)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	500,000	-	500,000	-
Transfers out	-	-	-	-	-
Due from other funds	-	(449,347)	-	-	-
Net cash provided by (used in) noncapital financing activities	-	50,653	-	500,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sales of capital assets	-	-	-	-	-
Purchases of capital assets	-	-	-	-	-
Principal paid on debt	-	-	-	-	-
Interest paid on debt	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	253,291	533,098	223,543	53,286	54,367
Net cash provided by investing activities	253,291	533,098	223,543	53,286	54,367
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,004,463	7,070,685	2,061,118	(551,121)	(213,705)
CASH AND CASH EQUIVALENTS:					
Beginning of year	12,864,865	24,775,960	11,364,805	3,580,223	3,294,425
End of year	<u>\$ 14,869,328</u>	<u>\$ 31,846,645</u>	<u>\$ 13,425,923</u>	<u>\$ 3,029,102</u>	<u>\$ 3,080,720</u>

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2016

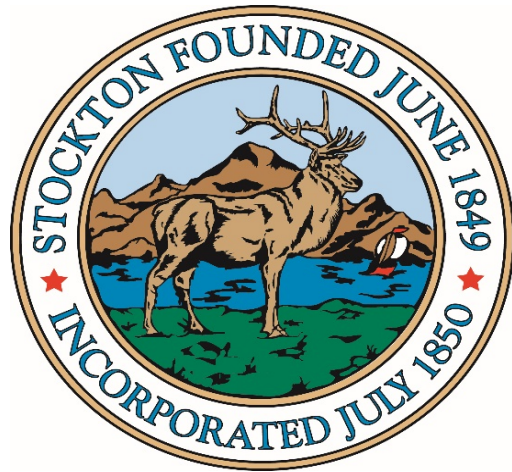
	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance	Retirement Benefits	Other Benefits & Insurance
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:					
Cash and investments	\$ 14,869,328	\$ 31,846,645	\$ 13,425,923	\$ 3,029,102	\$ 3,080,720
Restricted assets:					
Cash with investments fiscal agents	-	-	-	-	-
Total cash and investments	<u>\$ 14,869,328</u>	<u>\$ 31,846,645</u>	<u>\$ 13,425,923</u>	<u>\$ 3,029,102</u>	<u>\$ 3,080,720</u>
(LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,466,102	\$ 644,368	\$ 1,863,261	\$ (1,113,741)	\$ (148,955)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	-	-	-	-	-
Other non-operating revenues	-	-	132,217	-	-
Changes in assets and liabilities:					
Accounts and other receivables	182,770	(75,777)	53,939	(7,526)	(7,659)
Prepaid expenses	10,509	-	-	-	-
Deferred charges	-	-	-	-	-
Accounts payable	(55,193)	37,180	(52,395)	17,425	(3,302)
Accrued payroll	12,146	1,538	(1,871)	(565)	-
Compensated absences	(774)	6,625	5,724	-	(108,156)
Self-insurance - claims and judgments	(864,388)	5,873,000	(163,300)	-	-
Net cash provided by (used in) operating activities	<u>\$ 1,751,172</u>	<u>\$ 6,486,934</u>	<u>\$ 1,837,575</u>	<u>\$ (1,104,407)</u>	<u>\$ (268,072)</u>
NONCASH TRANSACTIONS:					
Transfer of capital assets from other funds	\$ -	\$ -	\$ -	\$ -	\$ -

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2016

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 9,726,175	\$ 11,146,051	\$ 1,548,348	\$ 2,198,931	\$ 109,140,354
Receipts for interfund services provided	-	-	-	-	132,217
Payments to suppliers	(3,463,271)	(4,888,499)	(906,741)	(1,016,161)	(83,143,190)
Payments to employees	(2,841,059)	(3,982,417)	(142,670)	(298,209)	(10,345,701)
Net cash provided by (used in) operating activities	3,421,845	2,275,135	498,937	884,561	15,783,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	714,641	1,035,000	-	-	2,749,641
Transfers out	-	(18,312)	(134,759)	-	(153,071)
Due from other funds	-	-	-	-	(449,347)
Net cash provided by (used in) noncapital financing activities	714,641	1,016,688	(134,759)	-	2,147,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sales of capital assets	189,426	-	-	-	189,426
Purchases of capital assets	(5,289,788)	(887,068)	(177,917)	(1)	(6,354,774)
Principal paid on debt	1,763,028	-	-	-	1,763,028
Interest paid on debt	(102,699)	-	-	-	(102,699)
Net cash used in capital and related financing activities	(3,440,033)	(887,068)	(177,917)	(1)	(4,505,019)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	88,082	345,817	35,778	52,858	1,640,120
Net cash provided by investing activities	88,082	345,817	35,778	52,858	1,640,120
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	784,535	2,750,572	222,039	937,418	15,066,004
CASH AND CASH EQUIVALENTS:					
Beginning of year	5,190,200	17,797,114	1,883,892	2,328,941	83,080,425
End of year	\$ 5,974,735	\$ 20,547,686	\$ 2,105,931	\$ 3,266,359	\$ 98,146,429

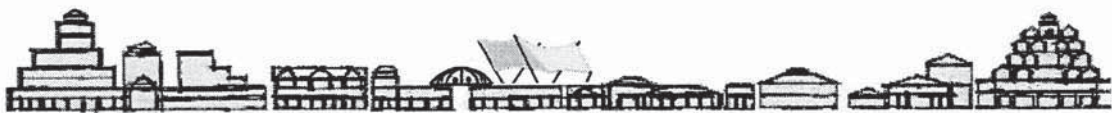
City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2016

	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:					
Cash and investments	\$ 5,121,253	\$ 20,547,686	\$ 2,105,931	\$ 3,266,359	\$ 97,292,947
Restricted assets:					
Cash with investments fiscal agents	853,482	-	-	-	853,482
Total cash and investments	\$ 5,974,735	\$ 20,547,686	\$ 2,105,931	\$ 3,266,359	\$ 98,146,429
(LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ (42,276)	\$ 2,187,981	\$ 383,392	\$ 927,064	\$ 7,167,196
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	3,408,649	404,586	134,868	39,640	3,987,743
Other non-operating revenues	-	-	-	-	132,217
Changes in assets and liabilities:					
Accounts and other receivables	17,945	(48,851)	(4,963)	(7,104)	102,774
Prepaid expenses	-	9,217	(9,451)	(2,209)	8,066
Deferred charges	-	62,320	-	-	62,320
Accounts payable	51,056	(396,778)	(12,423)	(65,218)	(479,648)
Accrued payroll	(11,033)	10,561	1,133	(1,231)	10,678
Compensated absences	(2,496)	46,099	6,381	(6,381)	(52,978)
Self-insurance - claims and judgments	-	-	-	-	4,845,312
Net cash provided by (used in) operating activities	\$ 3,421,845	\$ 2,275,135	\$ 498,937	\$ 884,561	\$ 15,783,680
NONCASH TRANSACTIONS:					
Transfer of capital assets from other funds	\$ 2,207,933	\$ 112,204	\$ -	15,046	\$ 2,335,183

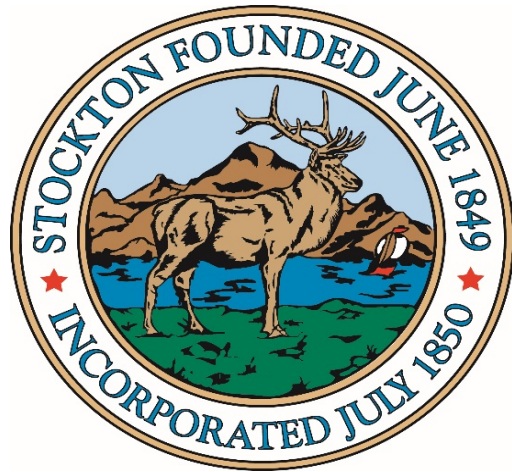




CITY OF STOCKTON



AGENCY FUNDS



AGENCY FUNDS

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

The City's agency funds include:

Land Secured Financing Agency Fund

To account for special taxes or assessment collections from property owners that are authorized under various public improvement acts of the State of California. The City acts only as an agent and forwards collections to bondholders and 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, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>LAND SECURED FINANCING</u>				
Assets:				
Cash and investments	\$ 25,181,233	\$ 10,510,968	\$ 14,292,358	\$ 21,399,843
Cash and investments with fiscal agents	12,868,834	14,720,789	21,228,977	6,360,646
Receivables:				
Interest	13,358	266,034	228,679	50,713
Accounts and other receivables	31,103	-	31,861	(758)
Prepaid	1,131	-	1,131	-
Total assets	\$ 38,095,659	\$ 25,497,791	\$ 35,783,006	\$ 27,810,444
Liabilities:				
Deposits and other liabilities	\$ 38,095,659	\$ 14,269,981	\$ 24,555,196	\$ 27,810,444
Total liabilities	\$ 38,095,659	\$ 14,269,981	\$ 24,555,196	\$ 27,810,444
<u>AREA OF BENEFIT FEES</u>				
Assets:				
Cash and investments	\$ 14,384,475	\$ 659,479	\$ 2,835,492	\$ 12,208,462
Receivables:				
Interest	-	31,828	-	31,828
Total assets	\$ 14,384,475	\$ 691,307	\$ 2,835,492	\$ 12,240,290
Liabilities:				
Deposits and other liabilities	\$ 14,384,475	\$ 759,956	\$ 2,904,141	\$ 12,240,290
Total liabilities	\$ 14,384,475	\$ 759,956	\$ 2,904,141	\$ 12,240,290
<u>PUBLIC FACILITIES FEES</u>				
Assets:				
Cash and investments	\$ 495,469	\$ 3,105,085	\$ 2,373,919	\$ 1,226,635
Receivables:				
Interest	-	1,273	-	1,273
Total assets	\$ 495,469	\$ 3,106,358	\$ 2,373,919	\$ 1,227,908
Liabilities:				
Accounts payable	\$ 494,508	\$ 1,878,360	\$ 2,372,868	\$ -
Due to other governments	961	3,110,275	1,883,328	1,227,908
Total liabilities	\$ 495,469	\$ 4,988,635	\$ 4,256,196	\$ 1,227,908

City of Stockton
Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2016

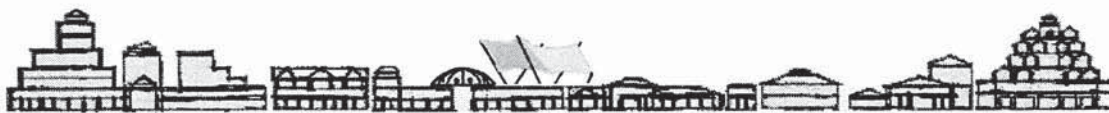
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>MISCELLANEOUS</u>				
Assets:				
Cash and investments	\$ 5,242,025	\$ 22,206,225	\$ 22,273,207	\$ 5,175,043
Receivables:				
Interest	-	13,658	-	13,658
Accounts and other receivables	1,451,468	25,594,136	22,959,893	4,085,711
Total assets	\$ 6,693,493	\$ 47,814,019	\$ 45,233,100	\$ 9,274,412
Liabilities:				
Accounts payable	\$ -	\$ 661,025	\$ 661,025	\$ -
Due to other governments	74,909	540,077	559,744	55,242
Deposits and other liabilities	6,618,584	30,039,859	27,439,273	9,219,170
Total liabilities	\$ 6,693,493	\$ 31,240,961	\$ 28,660,042	\$ 9,274,412
<u>ALL OTHER</u>				
Assets:				
Cash and investments	\$ 106,180	\$ 105,128	\$ 130,917	\$ 80,391
Receivables:				
Interest	-	254	-	254
Due from other governments	416	385	416	385
Total assets	\$ 106,596	\$ 105,767	\$ 131,333	\$ 81,030
Liabilities:				
Accounts payable	\$ 23,482	\$ 91,283	\$ 111,327	\$ 3,438
Deposits and other liabilities	83,114	106,788	112,310	77,592
Total liabilities	\$ 106,596	\$ 198,071	\$ 223,637	\$ 81,030
<u>TOTAL</u>				
Assets:				
Cash and investments	\$ 45,409,382	\$ 36,586,885	\$ 41,905,893	\$ 40,090,374
Cash and investments with fiscal agents	12,868,834	14,720,789	21,228,977	6,360,646
Receivables:				
Interest	13,358	313,047	228,679	97,726
Accounts and other receivables	1,482,571	25,594,136	22,991,754	4,084,953
Prepaid	1,131	-	1,131	-
Due from other governments	416	385	416	385
Total assets	\$ 59,775,692	\$ 77,215,242	\$ 86,356,850	\$ 50,634,084
Liabilities:				
Accounts payable	\$ 517,990	\$ 2,630,668	\$ 3,145,220	\$ 3,438
Due to other governments	75,870	3,650,352	2,443,072	1,283,150
Deposits and other liabilities	59,181,832	45,176,584	55,010,920	49,347,496
Total liabilities	\$ 59,775,692	\$ 51,457,604	\$ 60,599,212	\$ 50,634,084

City of Stockton
Measures A and B
Schedule of Sources and Uses
For Year Ended June 30, 2016

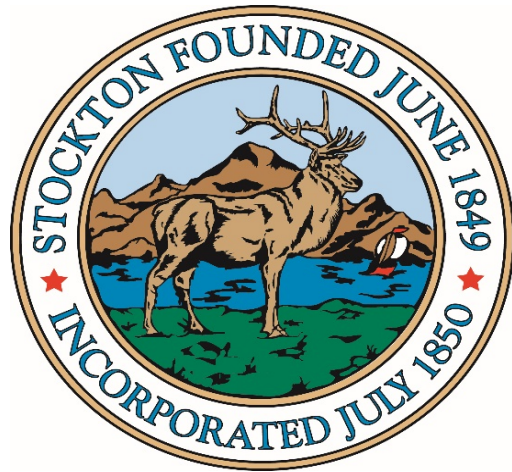
	Final Budget	Year End Actual	Variance with Final Budget
SOURCES / REVENUES:			
Measure A Transaction and Use Tax	\$ 28,125,000	\$ 29,259,106	\$ 1,134,106
Total Revenues	28,125,000	29,259,106	1,134,106
USES / EXPENDITURES:			
Police:			
Salary & Benefits			
Sworn	10,089,556	6,247,971	3,841,585
Non-Sworn	2,502,200	1,954,953	547,247
Vacancy Savings	(2,933,065)	-	(2,933,065)
Other Services	1,213,234	775,634	437,600
Materials & Supplies			
Fuel	175,202	58,588	116,614
Other Supplies	275,310	212,470	62,840
Radios	2,079,464	1,396,096	683,368
Vehicles	1,435,485	1,233,765	201,720
Technology Upgrades	796,000	104,547	691,453
Other Expenses			
Training	307,500	271,761	35,739
	15,940,886	12,255,785	3,685,101
Office of Violence Prevention:			
Salary & Benefits			
Non-Sworn	592,900	302,489	290,411
Other Services	315,389	221,737	93,652
Materials & Supplies			
Fuel	12,000	-	12,000
Other Supplies	10,000	11,210	(1,210)
Equipment			
Office Equipment	17,500	451	17,049
Vehicles	74,774	74,274	500
Other Expenses	2,000	1,696	304
	1,024,563	611,857	412,706
Basis Adjustment:			
Encumbrances (included in Final Budget)	-	556,016	(556,016)
Total Measure B Expenditures	\$ 16,965,449	\$ 13,423,658	\$ 3,541,791
Measure B expenditures as a % of annual Measure A revenues	60%	46%	
Other City Services:			
LED Lighting Project Phase I & III	1,576,000	1,576,000	-
Information Technology Projects	385,000	385,000	-
Purchasing Improvements	30,781	30,781	-
SEB 4th Floor Build Out	1,500,000	1,500,000	-
Police Communications System Upgrade	650,000	650,000	-
Citywide Training	130,000	36,400	93,600
Parks Irrigation Controller Upgrade	588,000	588,000	-
Street Resurfacing	500,000	226,199	273,801
Sidewalks	300,000	300,000	-
General Fund Services and Reserves	5,499,770	10,269,267	(4,769,497)
Basis Adjustment:			
Encumbrances (included in Final Budget)	-	273,801	(273,801)
	11,159,551	15,835,448	(4,675,897)
Total Uses/Expenditures	\$ 28,125,000	\$ 29,259,106	\$ (1,134,106)



CITY OF STOCKTON



STATISTICAL SECTION



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

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities:					
Net investment in capital assets	\$ 287,078	\$ 326,823	\$ 714,595	\$ 725,426	\$ 703,266
Restricted	153,087	130,763	96,596	93,905	84,099
Unrestricted	196,005	160,224	(62,855)	(82,351)	(114,859)
Total governmental activities net position	636,170	617,810	748,336	736,980	672,506
Business-type activities:					
Net investment in capital assets	369,983	379,853	413,783	418,881	432,082
Restricted	54,618	56,521	54,175	56,589	27,976
Unrestricted	44,792	28,751	42,641	38,380	54,340
Total business-type activities net position	469,393	465,125	510,599	513,850	514,398
Primary government:					
Net investment in capital assets	657,061	706,676	1,128,378	1,144,307	1,135,348
Restricted	207,705	187,284	150,771	150,494	112,075
Unrestricted	240,797	188,975	(20,214)	(43,971)	(60,519)
Total primary government net position	\$ 1,105,563	\$ 1,082,935	\$ 1,258,935	\$ 1,250,830	\$ 1,186,904

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

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

	Fiscal Year				
	2011	2010	2009	2008	2007
Governmental activities:					
Net investment in capital assets	\$ 645,249	\$ 612,914	\$ 611,775	\$ 594,070	\$ 636,838
Restricted	122,730	188,655	162,363	172,088	161,995
Unrestricted	(169,356)	(139,549)	(66,091)	(21,053)	(338)
Total governmental activities net position	598,623	662,020	708,047	745,105	798,495
Business-type activities:					
Net investment in capital assets	414,066	402,215	400,551	399,813	387,198
Restricted	33,558	30,751	35,408	39,568	46,850
Unrestricted	61,172	41,442	42,449	39,138	32,645
Total business-type activities net position	508,796	474,408	478,408	478,519	466,693
Primary government:					
Net investment in capital assets	1,059,315	1,015,129	1,012,326	993,883	1,024,036
Restricted	156,288	219,406	197,771	211,656	208,845
Unrestricted	(108,184)	(98,107)	(23,642)	18,085	32,307
Total primary government net position	\$ 1,107,419	\$ 1,136,428	\$ 1,186,455	\$ 1,223,624	\$ 1,265,188

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

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Expenses					
Governmental activities:					
General government	\$ 39,608	\$ 35,576	\$ 34,594	\$ 24,909	\$ 41,548
Public safety	169,015	123,403	124,806	108,931	154,230
Public works	36,344	37,685	51,942	49,259	34,635
Library	10,406	9,098	9,807	8,445	10,176
Parks and recreation	21,620	20,801	19,456	19,736	20,760
Interest and fiscal charges	2,216	3,401	14,486	14,615	20,529
Total governmental activities	<u>279,209</u>	<u>229,964</u>	<u>255,091</u>	<u>225,895</u>	<u>281,878</u>
Business-type activities:					
Water utility	48,001	47,474	44,720	48,570	30,162
Wastewater utility	58,665	56,153	55,724	51,166	51,530
Stormwater utility	6,601	7,084	5,758	5,959	6,685
Parking Authority	5,384	5,026	5,120	4,944	4,903
Other	3,116	3,374	3,448	2,939	3,750
Total business-type activities	<u>121,767</u>	<u>119,111</u>	<u>114,770</u>	<u>113,578</u>	<u>97,030</u>
Total expenses	<u>400,976</u>	<u>349,075</u>	<u>369,861</u>	<u>339,473</u>	<u>378,908</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	15,831	15,169	14,785	17,977	15,342
Public safety	13,663	16,863	21,016	18,130	15,002
Public works	8,292	6,105	5,178	6,136	6,255
Library	517	441	437	670	719
Parks and recreation	9,158	6,145	5,655	6,597	6,037
Operating grants and contributions	12,861	18,823	18,840	23,827	20,460
Capital grants and contributions	16,286	34,268	36,052	57,146	54,487
Total governmental activities	<u>76,608</u>	<u>97,814</u>	<u>101,963</u>	<u>130,483</u>	<u>118,302</u>
Business-type activities:					
Charges for services:					
Water utility	33,277	35,059	37,855	37,464	33,308
Wastewater utility	68,938	65,726	59,953	55,369	50,324
Stormwater utility	5,573	5,569	5,571	5,503	5,888
Parking Authority	4,971	4,170	2,882	2,669	3,487
Other	1,750	1,769	1,870	1,934	2,071
Operating grants and contributions	3,776	5,133	3,865	4,175	4,175
Capital grants and contributions	3,562	2,945	1,112	4,700	10,139
Total business-type activities	<u>121,847</u>	<u>120,371</u>	<u>113,108</u>	<u>111,814</u>	<u>109,392</u>
Total program revenues	<u>198,455</u>	<u>218,185</u>	<u>215,071</u>	<u>242,297</u>	<u>227,694</u>
Change in Net Position					
Governmental activities	(202,601)	(132,150)	(153,128)	(95,412)	(163,576)
Business-type activities	80	1,260	(1,662)	(1,764)	12,362
Total primary government	<u>\$ (202,521)</u>	<u>\$ (130,890)</u>	<u>\$ (154,790)</u>	<u>\$ (97,176)</u>	<u>\$ (151,214)</u>

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

	Fiscal Year				
	2011	2010	2009	2008	2007
Expenses					
Governmental activities:					
General government	\$ 40,873	\$ 30,765	\$ 33,923	\$ 27,819	\$ 26,517
Public safety	182,582	187,647	190,692	181,187	161,895
Public works	48,826	56,416	43,985	134,737	59,897
Library	11,589	12,767	14,852	14,723	13,261
Parks and recreation	24,435	22,309	26,038	33,138	27,429
Interest and fiscal charges	19,274	20,430	19,620	17,921	11,746
Total governmental activities	<u>327,579</u>	<u>330,334</u>	<u>329,110</u>	<u>409,525</u>	<u>300,745</u>
Business-type activities:					
Water utility	35,909	28,856	24,146	22,070	21,750
Wastewater utility	49,234	45,958	49,414	40,045	42,084
Stormwater utility	7,406	7,842	8,129	6,696	7,219
Parking Authority	4,264	4,616	4,810	5,002	4,238
Other	3,517	2,394	2,237	2,093	2,057
Total business-type activities	<u>100,330</u>	<u>89,666</u>	<u>88,736</u>	<u>75,906</u>	<u>77,348</u>
Total expenses	<u>427,909</u>	<u>420,000</u>	<u>417,846</u>	<u>485,431</u>	<u>378,093</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	17,079	11,387	13,180	12,141	8,429
Public safety	16,765	18,812	22,131	30,738	32,447
Public works	15,005	17,755	19,750	30,429	21,140
Library	593	504	4,800	1,462	1,105
Parks and recreation	7,353	6,464	2,104	9,741	9,957
Operating grants and contributions	22,355	17,251	16,051	10,352	11,065
Capital grants and contributions	50,112	40,661	33,112	43,874	83,238
Total governmental activities	<u>129,262</u>	<u>112,834</u>	<u>111,128</u>	<u>138,737</u>	<u>167,381</u>
Business-type activities:					
Charges for services:					
Water utility	30,056	25,775	24,258	22,882	23,092
Wastewater utility	42,598	37,271	35,607	33,661	33,099
Stormwater utility	5,879	5,655	5,498	6,160	5,088
Parking Authority	3,585	3,672	3,934	3,815	3,474
Other	1,852	1,701	-	-	-
Operating grants and contributions	4,175	2,482	1,845	2,065	1,988
Capital grants and contributions	15,960	4,917	4,409	13,251	23,721
Total business-type activities	<u>104,105</u>	<u>81,473</u>	<u>75,551</u>	<u>81,834</u>	<u>90,462</u>
Total program revenues	<u>233,367</u>	<u>194,307</u>	<u>186,679</u>	<u>220,571</u>	<u>257,843</u>
Change in Net Position					
Governmental activities	(198,317)	(217,500)	(217,982)	(270,788)	(133,364)
Business-type activities	3,775	(8,193)	(13,185)	5,928	13,114
Total primary government	<u>\$ (194,542)</u>	<u>\$ (225,693)</u>	<u>\$ (231,167)</u>	<u>\$ (264,860)</u>	<u>\$ (120,250)</u>

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

	Fiscal Year				
	2016	2015	2014	2013	2012
General Revenues and Other					
Change in Net Position:					
Governmental activities:					
Taxes:					
Property	\$ 30,646	\$ 29,573	\$ 28,015	\$ 29,420	\$ 32,772
In lieu of sales tax	8,775	9,816	9,706	9,938	8,392
Utility user	33,379	32,921	32,370	31,941	31,505
Sales - levied by City (1)	39,070	37,208	15,536	9,086	8,576
Franchise fees	12,397	12,379	11,981	11,677	12,465
Business licenses	11,996	10,805	10,392	10,153	9,873
Hotel/motel room	2,711	2,378	2,080	2,006	1,933
Document transfer	857	587	564	458	603
Other	1,801	930	728	287	159
Shared revenue:					
Vehicle license fees	20,354	19,602	18,069	17,433	17,734
Sales and use tax levied by state (1)	45,097	36,904	35,111	34,031	32,604
Other	45	49	253	400	-
Investment earnings	4,728	1,532	1,128	123	2,802
Gain on sale of capital assets	568	(13,214)	(3,712)	(1)	-
Miscellaneous	7,303	16,982	3,042	2,411	974
Special item	-	-	-	-	-
Proceeds of long-term debt	-	23,396	-	-	-
Extraordinary items	-	250,701	-	-	75,350
Transfers	(297)	383	1,330	524	1,718
Total governmental activities	219,430	472,932	166,593	159,887	237,460
Business-type activities:					
Other taxes	1,239	974	1,166	1,197	1,205
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	2,653	1,172	1,448	530	1,865
Gain on sale of capital assets	-	(3,300)	-	-	-
Miscellaneous	-	-	431	14	(18,012)
Special item	-	-	-	-	-
Transfers	297	(383)	(1,330)	(524)	(1,718)
Extraordinary items (2)	-	9,548	-	-	-
Total business-type activities	4,189	8,011	1,715	1,217	(16,660)
Total general revenues and other changes in net assets	223,619	480,943	168,308	161,104	220,800
Change in Net Position					
Governmental activities	16,828	340,782	13,465	64,475	73,884
Business-type activities	4,269	9,273	53	(547)	(4,298)
Total primary government	\$ 21,097	\$ 350,055	\$ 13,518	\$ 63,928	\$ 69,586

(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. On November 5, 2013, voters approved Measure A, 3/4 Cent Transactions and Use Tax (Sales Tax) to maintain fiscal sustainability and aid the City in its exit from bankruptcy.

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

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

	Fiscal Year				
	2011	2010	2009	2008	2007
General Revenues and Other					
Change in Net Position:					
Governmental activities:					
Taxes:					
Property	\$ 41,051	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015
In lieu of sales tax	8,118	7,087	9,823	10,164	11,070
Utility user	30,994	30,717	30,854	30,861	30,101
Sales - levied by City (1)	7,875	7,652	7,921	9,409	9,249
Franchise fees	11,503	11,354	11,608	11,537	10,817
Business licenses	9,855	9,717	9,699	10,772	10,285
Hotel/motel room	1,799	1,749	1,962	2,287	2,180
Document transfer	583	559	702	686	1,187
Other	155	203	234	246	257
Shared revenue:					
Vehicle license fees	20,014	20,468	23,459	24,051	22,661
Sales and use tax levied by state (1)	30,061	28,856	31,245	36,098	36,745
Other	352	361	370	389	384
Investment earnings	1,620	5,927	13,104	15,007	11,436
Gain on sale of capital assets	-	8	127	88	-
Miscellaneous	1,083	172	722	756	786
Special item	3,270	(288)	(8,736)	-	-
Proceeds of long-term debt	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Transfers	542	1,382	803	1,049	516
Total governmental activities	168,875	171,473	192,537	217,398	207,689
Business-type activities:					
Other taxes	1,152	1,095	1,066	1,055	981
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	3,176	4,192	4,075	5,892	5,973
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Special item	-	288	8,736	-	-
Transfers	(542)	(1,382)	(803)	(1,049)	(516)
Extraordinary items (2)	-	-	-	-	-
Total business-type activities	3,786	4,193	13,074	5,898	6,438
Total general revenues and other changes in net assets	172,661	175,666	205,611	223,296	214,127
Change in Net Position					
Governmental activities	(29,442)	(46,027)	(25,445)	(53,390)	74,325
Business-type activities	7,561	(4,000)	(111)	11,826	19,552
Total primary government	\$ (21,881)	\$ (50,027)	\$ (25,556)	\$ (41,564)	\$ 93,877

(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. On November 5, 2013, voters approved Measure A, 3/4 Cent Transactions and Use Tax (Sales Tax) to maintain fiscal sustainability and aid the City in its exit from bankruptcy.

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

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

	Fiscal Year				
	2016	2015	2014	2013	2012
General Fund					
Nonspendable	\$ 2,214	\$ 810	\$ 500	\$ 409	\$ 355
Restricted	3,549	2,949	3,551	2,334	2,100
Committed	49,088	28,930	34,008	23,775	8,070
Assigned	5,467	-	3,059	1,710	4,111
Unassigned	33,326	38,639	9,751	3,093	-
Total General Fund	<u>93,644</u>	<u>71,328</u>	<u>50,869</u>	<u>31,321</u>	<u>14,636</u>
All other governmental funds					
Nonspendable	373	382	443	369	370
Restricted	122,084	104,785	81,435	75,157	83,636
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(20,669)	(18,793)	(18,775)
Total all other governmental funds	<u>122,457</u>	<u>105,167</u>	<u>61,209</u>	<u>56,733</u>	<u>65,231</u>
Total Fund Balance	<u>\$ 216,101</u>	<u>\$ 176,495</u>	<u>\$ 112,078</u>	<u>\$ 88,054</u>	<u>\$ 79,867</u>

	Fiscal Year				
	2016	2015	2014	2013	2012
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Total General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
All other governmental funds					
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent Fund	-	-	-	-	-
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 fiscal year 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.

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

	Fiscal Year				
	2011	2010	2009	2008	2007
General Fund					
Nonspendable	\$ 317	\$ 13,466	\$ -	\$ -	\$ -
Restricted	2,100	2,100	-	-	-
Committed	5,081	1,851	-	-	-
Assigned	4,758	5,730	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>12,256</u>	<u>23,147</u>	<u>-</u>	<u>-</u>	<u>-</u>
All other governmental funds					
Nonspendable	304	1,604	-	-	-
Restricted	115,700	228,190	-	-	-
Committed	-	67,466	-	-	-
Assigned	-	1,815	-	-	-
Unassigned	(15,017)	(63,475)	-	-	-
Total all other governmental funds	<u>100,987</u>	<u>235,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 113,243</u>	<u>\$ 258,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Fiscal Year				
	2011	2010	2009	2008	2007
General Fund					
Reserved	\$ -	\$ -	\$ 14,175	\$ 13,498	\$ 13,231
Unreserved	-	-	8,607	9,627	15,761
Total General Fund	<u>-</u>	<u>-</u>	<u>22,782</u>	<u>23,125</u>	<u>28,992</u>
All other governmental funds					
Reserved	-	-	285,941	289,368	298,541
Unreserved, reported in:					
Special revenue funds	-	-	6,417	24,677	3,986
Debt service funds	-	-	-	38	(196)
Capital projects funds	-	-	(53,248)	(25,307)	(27,899)
Permanent Fund	-	-	358	333	297
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>239,468</u>	<u>289,109</u>	<u>274,729</u>
Total Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,250</u>	<u>\$ 312,234</u>	<u>\$ 303,721</u>

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 fiscal year 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.

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Revenues:					
Taxes:					
Property	\$ 30,646	\$ 29,573	\$ 28,014	\$ 29,420	\$ 32,772
In lieu of sales tax	8,775	9,816	9,706	9,938	8,392
Utility user	33,379	32,921	32,369	31,941	31,505
Sales (levied by City) (1)	39,070	37,208	15,536	9,086	8,576
Franchise fees	12,397	12,380	11,981	11,677	12,465
Business license	11,996	10,805	10,392	10,153	9,873
Hotel/motel room	2,711	2,378	2,080	2,006	1,933
Document transfer	856	587	565	458	603
Other	1,535	930	728	287	159
Licenses and permits	5,347	4,398	3,808	3,696	4,024
Federal grants and subsidies	10,470	21,796	22,453	23,158	19,927
Other shared revenue (sales and use tax levied by state) (1)	45,097	36,904	35,111	34,031	32,604
Other governmental	36,696	41,806	47,951	71,746	66,985
Charges for services	26,473	21,351	19,410	19,059	21,655
Fines and forfeitures	624	3,814	2,925	2,419	2,792
Use of money and property	8,172	9,318	9,536	13,767	11,848
Investment income:					
Interest income	3,088	916	650	119	2,367
Refunds and reimbursements	5,188	12,710	2,401	1,814	3,213
Miscellaneous	11,246	16,674	7,707	6,942	6,088
Total revenues	293,766	306,285	263,323	281,717	277,781
Expenditures:					
Current:					
General government	27,229	34,652	25,510	23,245	22,742
Public safety	150,853	141,542	129,030	125,331	139,047
Public works	14,861	14,152	14,458	13,498	13,989
Library	10,107	9,880	9,793	9,039	9,537
Parks and recreation	19,295	19,094	17,202	17,733	16,887
Capital outlay	23,857	31,345	43,273	72,568	68,005
Debt service:					
Principal retirement	3,325	8,217	9,589	9,013	5,883
Cost of issuance	2,119	-	-	-	-
Interest and fiscal charges	-	3,229	4,661	5,957	13,531
Total expenditures	251,646	262,111	253,516	276,384	289,621
Excess (deficiency) of revenues over (under) expenditures	\$ 42,120	\$ 44,174	\$ 9,807	\$ 5,333	\$ (11,840)

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

	Fiscal Year				
	2011	2010	2009	2008	2007
Revenues:					
Taxes:					
Property	\$ 41,051	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015
In lieu of sales tax	8,118	7,087	9,823	10,164	11,070
Utility user	30,994	30,717	30,854	30,861	30,101
Sales (levied by City) (1)	7,875	7,652	7,921	9,409	9,249
Franchise fees	11,503	11,354	11,608	11,537	10,817
Business license	9,855	9,717	9,699	10,772	10,285
Hotel/motel room	1,799	1,749	1,962	2,287	2,180
Document transfer	583	559	702	686	1,187
Other	155	203	234	246	257
Licenses and permits	3,584	4,257	4,335	5,273	6,777
Federal grants and subsidies	33,244	26,034	12,976	13,617	26,532
Other shared revenue (sales and use tax levied by state) (1)	30,061	28,856	31,245	36,098	36,745
Other governmental	47,929	47,779	53,498	59,976	63,064
Charges for services	21,262	26,174	31,462	55,244	51,739
Fines and forfeitures	3,538	5,090	4,499	3,321	3,323
Use of money and property	14,966	11,962	13,234	12,922	9,709
Investment income:					
Interest income	1,339	5,352	11,375	13,100	9,789
Refunds and reimbursements	9,790	5,186	4,113	4,253	8,199
Miscellaneous	7,594	8,449	13,429	8,515	9,163
Total revenues	285,240	283,726	311,609	352,279	360,201
Expenditures:					
Current:					
General government	30,900	21,818	24,272	22,285	20,030
Public safety	152,527	152,714	163,339	168,372	163,479
Public works	13,528	14,029	16,113	18,464	19,478
Library	10,252	11,041	12,485	13,432	12,648
Parks and recreation	19,669	17,948	22,376	27,185	25,747
Capital outlay	66,975	84,194	105,384	135,071	98,819
Debt service:					
Principal retirement	22,661	11,739	3,973	1,017	591
Cost of issuance	-	846	99	777	2,069
Interest and fiscal charges	12,706	12,523	11,938	10,771	7,892
Total expenditures	329,218	326,852	359,979	397,374	350,753
Excess (deficiency) of revenues over (under) expenditures	\$ (43,978)	\$ (43,126)	\$ (48,370)	\$ (45,095)	\$ 9,448

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Other financing sources (uses):					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	15,916	16,860	13,497	30,678	24,706
Transfers out	(18,810)	(20,235)	(13,031)	(30,360)	(25,450)
Bond insurers proceeds	-	29,178	7,800	8,287	-
Operating transfers out to a component unit	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	533
Sales of capital assets	379	521	200	-	-
Payment to refunded bond escrow agent	-	(6,080)	-	-	-
Premiums on debt issuances	-	-	-	-	-
Discounts on debt issuances	-	-	-	-	-
Total other financing sources (uses)	(2,515)	20,244	8,466	8,605	(211)
Special items		-	-	-	(21,324)
Net change in fund balance	39,605	64,417	18,273	13,938	(33,375)
Fund balance, beginning of year, original	176,495	112,078	93,805	79,868	113,244
Prior period restatement	-	-	-	-	-
Fund balance, beginning of year, restated	176,495	112,078	93,805	79,868	113,244
Fund balance, end of year	\$ 216,100	\$ 176,495	\$ 112,078	\$ 93,806	\$ 79,869
Debt service as a percentage of noncapital expenditures	2.4%	5.2%	7.3%	7.9%	9.6%

(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. On November 5, 2013, voters approved Measure A, 3/4 Cent Transactions and Use Tax (Sales Tax) to maintain fiscal sustainability and aid the City in its exit from bankruptcy.

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

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

	Fiscal Year				
	2011	2010	2009	2008	2007
Other financing sources (uses):					
Capital contributions	\$ (284)	\$ -	\$ -	\$ -	\$ -
Transfers in	78,125	35,341	46,051	59,991	78,825
Transfers out	(74,128)	(34,357)	(45,381)	(59,839)	(80,506)
Bond insurers proceeds	-	-	-	-	-
Operating transfers out to a component unit	-	-	-	-	-
Issuance of long-term debt	30	39,702	6,343	53,436	110,509
Sales of capital assets	1,127	-	109	44	5
Payment to refunded bond escrow agent	-	-	-	-	-
Premiums on debt issuances	-	-	-	-	2,377
Discounts on debt issuances	-	(775)	-	(24)	-
Total other financing sources (uses)	4,870	39,911	7,122	53,608	111,210
Special items	3,270	(288)	(8,736)	-	-
Net change in fund balance	(35,838)	(3,503)	(49,984)	8,513	120,658
Fund balance, beginning of year, original	258,748	262,250	312,234	303,721	183,063
Prior period restatement	(109,666)	-	-	-	-
Fund balance, beginning of year, restated	149,082	262,250	312,234	303,721	183,063
Fund balance, end of year	\$ 113,244	\$ 258,747	\$ 262,250	\$ 312,234	\$ 303,721
Debt service as a percentage of noncapital expenditures	15.6%	11.5%	6.7%	5.0%	4.4%

(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. On November 5, 2013, voters approved Measure A, 3/4 Cent Transactions and Use Tax (Sales Tax) to maintain fiscal sustainability and aid the City in its exit from bankruptcy.

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

City of Stockton
Table 5
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Property (1)	\$ 30,646	\$ 29,573	\$ 28,014	\$ 29,420	\$ 32,772
In lieu of sales tax	8,775	9,816	9,706	9,938	8,392
Utility user	33,379	32,921	32,369	31,941	31,505
Sales (levied by city) (2)	39,070	37,208	15,536	9,086	8,576
Franchise fees	12,397	12,380	11,981	11,677	12,465
Business licenses	11,995	10,805	10,392	10,153	9,873
Hotel/motel room	2,711	2,378	2,080	2,006	1,933
Document transfer (3)	856	587	565	458	603
Other	1,535	930	728	287	159
Totals	\$ 141,364	\$ 136,598	\$ 111,371	\$ 104,966	\$ 106,278

(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) 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. On November 5, 2013, voters approved Measure A, 3/4 Cent Transactions and Use Tax (Sales Tax) to maintain fiscal sustainability and aid the City in its exit from bankruptcy.

(3) Document transfer fees are charged when property changes ownership. Home and other property sales have slowed considerably since 2007.

City of Stockton
Table 5 (Continued)
Tax Revenues by Source, Governmental Funds (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year					% Change 2007 (or inception) to 2016
	2011	2010	2009	2008	2007	
Property (1)	\$ 41,051	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015	-62%
In lieu of sales tax	8,118	7,087	9,823	10,164	11,070	-25%
Utility user	30,994	30,717	30,854	30,861	30,101	10%
Sales (levied by city) (2)	7,875	7,652	7,921	9,409	9,249	300%
Franchise fees	11,503	11,354	11,608	11,537	10,817	15%
Business licenses	9,855	9,717	9,699	10,772	10,285	15%
Hotel/motel room	1,799	1,749	1,962	2,287	2,180	24%
Document transfer (3)	583	559	702	686	1,187	-16%
Other	155	203	234	246	257	586%
Totals	\$ 111,933	\$ 114,587	\$ 131,443	\$ 139,960	\$ 135,161	5%

(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) 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. On November 5, 2013, voters approved Measure A, 3/4 Cent Transactions and Use Tax (Sales Tax) to maintain fiscal sustainability and aid the City in its exit from bankruptcy.

(3) Document transfer fees are charged when property changes ownership. Home and other property sales have slowed considerably since 2007.

City of Stockton
Table 6
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Secured roll	\$ 20,299,172	\$ 19,473,994	\$ 16,981,109	\$ 16,272,927	\$ 16,575,192
Utility roll	5,833	6,199	6,228	7,504	7,204
Unsecured roll	1,596,101	1,651,844	1,557,131	1,566,497	1,566,928
Gross assessed value	21,901,106	21,132,037	18,544,468	17,846,928	18,149,324
Less exemptions (1)	1,786,986	1,729,742	1,699,348	1,608,513	1,654,143
Net assessed value	20,114,120	19,402,295	16,845,120	16,238,415	16,495,181
Land	5,713,082	5,420,167	4,597,437	4,019,017	4,168,722
Improvements	15,004,037	14,501,054	12,868,329	12,696,221	12,846,828
Personal property	11,838,987	1,210,816	1,078,702	1,131,690	1,133,774
Gross assessed value	32,556,106	21,132,037	18,544,468	17,846,928	18,149,324
Less exemptions (1)	1,786,986	1,729,742	1,699,348	1,608,513	1,654,143
Net assessed value	\$ 30,769,120	\$ 19,402,295	\$ 16,845,120	\$ 16,238,415	\$ 16,495,181
Total Direct Tax Rate	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.

City of Stockton
Table 6 (Continued)
Assessed Value and Estimated Actual Value of Taxable Property Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Secured roll	\$ 17,388,579	\$ 18,339,819	\$ 20,988,391	\$ 21,520,451	\$ 19,823,995
Utility roll	7,119	7,081	5,633	5,652	14,092
Unsecured roll	1,606,951	1,628,749	1,588,293	1,234,912	1,195,948
Gross assessed value	19,002,649	19,975,649	22,582,317	22,761,015	21,034,035
Less exemptions (1)	1,584,109	1,514,454	1,398,902	1,302,249	1,238,271
Net assessed value	17,418,540	18,461,195	21,183,415	21,458,766	19,795,764
Land	4,461,053	4,817,327	6,387,373	6,661,962	5,992,555
Improvements	13,284,209	13,910,082	14,984,980	15,092,621	14,034,608
Personal property	1,257,387	1,248,240	1,209,964	1,006,432	1,006,872
Gross assessed value	19,002,649	19,975,649	22,582,317	22,761,015	21,034,035
Less exemptions (1)	1,584,109	1,514,454	1,398,902	1,302,249	1,238,271
Net assessed value	\$ 17,418,540	\$ 18,461,195	\$ 21,183,415	\$ 21,458,766	\$ 19,795,764
Total Direct Tax Rate	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.

City of Stockton
Table 7
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of assessed value)

Fiscal Year	Basic Countywide Levy	City	Total Direct	Stockton Unified School District (1)	San Joaquin Delta College District	Total
2016	1.0000	-	1.0000	0.2710	0.0198	1.2908
2015	1.0000	-	1.0000	0.2280	0.0233	1.2513
2014	1.0000	-	1.0000	0.2105	0.0194	1.2299
2013	1.0000	-	1.0000	0.1917	0.0202	1.2119
2012	1.0000	-	1.0000	0.1601	0.0200	1.1801
2011	1.0000	-	1.0000	0.1730	0.0194	1.1924
2010	1.0000	-	1.0000	0.1273	0.0180	1.1453
2009	1.0000	-	1.0000	0.1497	0.0160	1.1657
2008	1.0000	-	1.0000	0.1514	0.0015	1.1529
2007	1.0000	-	1.0000	0.0929	0.0183	1.1112

(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.

City of Stockton
Table 8
Principal Property Tax Payers
Current Year and Nine Years Ago
(Dollar amounts in thousands)

Taxpayer	Fiscal Year					
	2016			2007		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Excel Stockton LLC	\$ 123,022	1	0.927 %	-	-	-
Pacific Ethanol Stockton LLC	122,230	2	0.921	-	-	-
DTE Stockton LLC	113,126	3	0.852	-	-	-
Central Valley Indl Core Hold	84,823	4	0.639	-	-	-
Simpson Manufacturing Co Inc	73,110	5	0.551	\$ 59,834	3	0.321 %
Diamond Foods Inc	70,151	6	0.528	-	-	-
Corn Products International Inc	69,597	7	0.524	64,845	2	0.348
AG Spanos Professional Office Center LLC	68,420	8	0.515	-	-	-
Wal Mart Stores Inc/Sam's	67,384	9	0.508	-	-	-
Buzz Oates LLC Etak	66,738	10	0.503	-	-	-
Levine Investments Ltd PTP/Pacific Companies	-	-	-	80,622	1	0.433
Diamond Walnut Growers Inc	-	-	-	59,244	4	0.318
Comcast of California XIII Inc	-	-	-	46,224	5	0.248
FR Net Lease Co-Invest Prog 10 LLC	-	-	-	43,000	6	0.231
Sherwood Mall LLC	-	-	-	42,088	7	0.226
WTM Glimcher LLC	-	-	-	41,524	8	0.223
DOPACO Inc	-	-	-	41,287	9	0.222
Pavilions Apartments LP	-	-	-	39,229	10	0.211
Principal Secured Property Valuation	858,601		6.468	517,897		2.780
Other Secured Taxpayers	13,151,140		99.059	19,306,098		103.649
Total Secured Property Valuation Before Exemptions	14,009,741		105.527 %	19,823,995		106.429 %
Less Exemptions relative to secured tax roll (1)	733,700		5.527	1,197,631		6.429
Total Secured Property Valuation	\$ 13,276,041		100.000 %	\$ 18,626,364		100.000 %

(1) Exemptions relative to secured tax roll:

FY 2016 - homeowners - \$169,193 and other - \$395,314 = \$564,507

FY 2007 - homeowners - \$270,325 and other - \$927,306 = \$1,197,631

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.

City of Stockton
Table 9
Secured Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollar amounts in thousands)

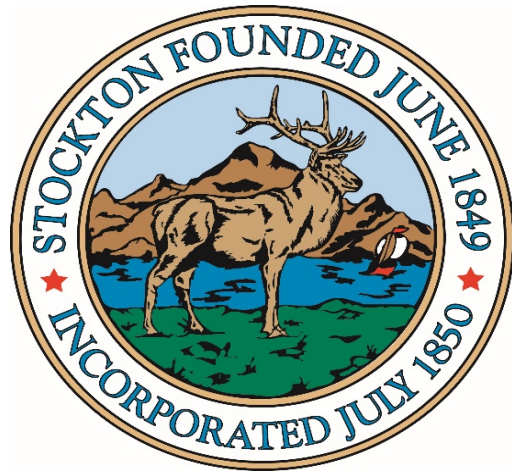
Fiscal Year	Secured Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percent of Levy (1)	Collections in Subsequent Years	Amount	Percent of Levy	
2016	\$ 28,907	\$ 28,907	100 %	-	\$ 28,907	100 %	
2015	\$ 27,852	\$ 27,852	100 %	-	\$ 27,852	100 %	
2014	\$ 25,952	\$ 25,952	100 %	-	\$ 25,952	100 %	
2013	\$ 24,745	\$ 24,745	100 %	-	\$ 24,745	100 %	
2012	\$ 24,785	\$ 24,785	100 %	-	\$ 24,785	100 %	
2011	\$ 26,519	\$ 26,519	100 %	-	\$ 26,519	100 %	
2010	\$ 22,150	\$ 22,150	100 %	-	\$ 22,150	100 %	
2009	\$ 31,134	\$ 31,134	100 %	-	\$ 31,134	100 %	
2008	\$ 33,633	\$ 33,633	100 %	-	\$ 33,633	100 %	
2007	\$ 33,891	\$ 33,891	100 %	-	\$ 33,891	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.

City of Stockton
Table 10
Water Sold by Customer Type
Last Five Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
<u>Type of Customer</u>					
Residential	7,088,802 cf	8,220,045 cf	9,303,185 cf	9,834,835 cf	9,330,690 cf
Institutional	442,461	608,940	651,307	2,379,843	646,754
Commercial/Industrial	1,429,848	1,598,432	1,596,477	1,678,854	1,593,141
Irrigation	<u>861,094</u>	<u>1,344,966</u>	<u>1,531,137</u>	<u>1,724,891</u>	<u>1,418,354</u>
Total	<u><u>9,822,205</u></u> cf	<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

1 cubic foot (cf) = 7.481 gallons



City of Stockton
Table 11
Water and Wastewater Utility Rates
Last Ten Fiscal Years

Fiscal Year	Water		Wastewater
	Monthly Base Rate	Additional Per 100 cf**	Monthly Base Rate
2016	\$ 22.25	\$ 1.67	\$ 37.76
2015	\$ 21.90	\$ 1.64	\$ 37.09
2014	\$ 21.51	\$ 1.61	\$ 34.03
2013	\$ 21.15	\$ 1.58	\$ 31.22
2012	\$ 20.00	\$ 1.40	\$ 28.64
2011	\$ 18.80	\$ 1.21	\$ 24.69
2010	\$ 17.65	\$ 1.02	\$ 20.75
2009	\$ 16.75	\$ 0.82	\$ 20.00
2008	\$ 15.90	\$ 0.78	\$ 21.10
2007	\$ 15.60	\$ 0.77	\$ 20.70

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.

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
2016	\$ 10,385	\$ 11,500	\$ 111,424	\$ 18,298	\$ -	\$ 53,606	\$ 205,213
2015	\$ 10,835	\$ 11,890	\$ 113,262	\$ 18,095	\$ -	\$ 54,530	\$ 208,612
2014	\$ 75,285	\$ 12,265	\$ 119,210	\$ 20,157	\$ -	\$ 121,770	\$ 348,687
2013	\$ 81,465	\$ 12,625	\$ 122,100	\$ 25,326	\$ -	\$ 123,350	\$ 364,866
2012	\$ 87,520	\$ 12,970	\$ 124,695	\$ 26,625	\$ -	\$ 124,280	\$ 376,090
2011	\$ 88,050	\$ 13,300	\$ 127,200	\$ 29,353	\$ -	\$ 124,660	\$ 382,563
2010	\$ 88,560	\$ 13,300	\$ 145,855	\$ 42,881	\$ -	\$ 124,910	\$ 415,506
2009	\$ 53,965	\$ 13,300	\$ 155,020	\$ 38,800	\$ -	\$ 125,040	\$ 386,125
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

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

(2) These ratios are calculated using the latest available data, personal income for fiscal year 2012 and population for fiscal year 2015.

City of Stockton
Table 12 (Continued)
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands, except per capita)

Business-type Activities									
Fiscal Year	Revenue Bonds	Certificates of Participation	Notes Payable	Mello-Roos Bonds(1)	Special Assessment Bonds(1)	Total Business-type Activities	Total	Percent of Personal Income (2)	Amount Per Capita (2)
2016	\$ 336,218	\$ -	\$ 10,954	\$ -	\$ -	\$ 347,172	\$ 552,385	2.56 %	\$ 1,750
2015	\$ 343,926	\$ -	\$ 11,040	\$ -	\$ -	\$ 354,966	\$ 563,578	2.61 %	\$ 1,836
2014	\$ 284,225	\$ 81,270	\$ 11,123	\$ -	\$ -	\$ 376,618	\$ 725,305	3.36 %	\$ 2,410
2013	\$ 289,360	\$ 84,500	\$ 11,202	\$ -	\$ -	\$ 385,062	\$ 749,928	3.47 %	\$ 2,531
2012	\$ 293,425	\$ 87,590	\$ 11,276	\$ -	\$ -	\$ 392,291	\$ 768,381	3.56 %	\$ 2,598
2011	\$ 294,370	\$ 90,545	\$ 11,600	\$ -	\$ -	\$ 396,515	\$ 779,078	3.69 %	\$ 2,654
2010	\$ 240,245	\$ 90,545	\$ 545	\$ -	\$ -	\$ 331,335	\$ 746,841	3.87 %	\$ 2,557
2009	\$ 67,920	\$ 96,105	\$ 610	\$ -	\$ -	\$ 164,635	\$ 550,760	2.86 %	\$ 1,896
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

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

(2) These ratios are calculated using the latest available data, personal income for fiscal year 2012 and population for fiscal year 2015.

City of Stockton
Table 13
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Dollar amounts in thousands, except per capita)

General Bonded Debt Outstanding*							
Fiscal Year	Lease Revenue Bonds	Certificates of Participation**	Pension Obligation Bonds*	Redevelopment Agency Bonds*	Total	Percent of Assessed Property Value	Amount Per Capita
2016	\$ 10,385	\$ 11,500	\$ 53,606	\$ -	\$ 75,491	0.005 %	\$ 0.239
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.)

City of Stockton
Table 14
Direct and Overlapping Governmental Activities Debt

	Total Debt 6/30/2016	Percentage Applicable (1)	City's share of Debt 6/30/2016
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Delta Community College District	\$ 134,126,384	28.495 %	\$ 38,219,313
Stockton Unified School District	385,642,362	85.247	328,748,544
Lodi Unified School District	85,840,000	33.225	28,520,340
Lodi Unified School District School Facilities Improvement District No. 1	36,785,000	84.647	31,137,399
Lincoln Unified School District	83,940,419	87.232	73,222,906
Lincoln Unified School District Community Facilities District No. 1	25,066,567	81.615	20,458,079
Manteca Unified School District	110,484,885	14.539	16,063,397
Manteca Unified School District Community Facilities District No. 1989-1	24,381,013	100.000	24,381,013
Tracy Joint Unified School District and School Facilities Improvement Dist. No.3	111,104,900	0.005 & 0.008	7,659
City of Stockton Community Facilities District No. 90-2	18,480,000	100.000	18,480,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)	15,900,000	100.000	15,900,000
City of Stockton Community Facilities District No. 2003-1	2,520,000	100.000	2,520,000
City of Stockton Community Facilities District No. 2006-1	3,380,000	100.000	3,380,000
City of Stockton Community Facilities District No. 2006-3	5,925,000	100.000	5,925,000
City of Stockton 1915 Act Bonds	35,285,000	100.000	35,285,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	6,066,881	18.211	1,104,840
San Joaquin County Reclamation District No. 17 Assessment District	14,961,463	26.756	4,003,089
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>647,356,580</u>
OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	134,405,000	31.177 %	41,903,447
Lincoln Unified School District Certificates of Participation	3,439,214	87.232	3,000,095
Lodi Unified School District Certificates of Participation	25,915,000	33.225	8,610,259
Manteca Unified School District General Fund Obligations	27,958,000	14.539	4,064,814
Stockton Unified School District Certificates of Participation	39,240,000	85.247	33,450,923
City of Stockton 2003 Certificates of Participation	11,500,000	100.000	11,500,000
City of Stockton 2006 Lease Revenue Bonds	10,385,000	100.000	10,385,000
City of Stockton Capital Lease Obligations	2,538,278	100.000	2,538,278
City of Stockton Bond Insurer Settlement Agreement Liability	53,606,120	100.000	53,606,120
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>169,058,935</u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):			
2004 Revenue Bonds (backed but not paid by the General Fund)	39,978,518	100.000	39,978,518
2006 Revenue Bonds	71,445,000	100.000	71,445,000
TOTAL OVERLAPPING TAX INCREMENT DEBT			<u>111,423,518</u>
TOTAL DIRECT DEBT			78,029,398
TOTAL OVERLAPPING DEBT			<u>849,809,635</u>
GROSS COMBINED TOTAL DEBT (2)			\$ 927,839,033
2015-16 Assessed Valuation (3):	\$ 19,628,594,384		
(after deducting \$1,464,976,489 Other Exemptions Valuation)			
2015-16 Population	315,592		
Debt Ratios		Per Capita	Assessed
Total Gross Debt (2)	\$ 927,839,033	\$ 2,940	4.73 %
Ratios to 2014-15 Assessed Valuation: Total Overlapping Tax and Assessment Debt	647,356,580	2,051	3.30
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	78,029,398	247	0.40

(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

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				
	2016	2015	2014	2013	2012
Assessed valuation (1)	\$ 19,628,594,384	\$ 18,653,199	\$ 17,079,491	\$ 16,479,102	\$ 15,572,567
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,907,148,596	4,663,300	4,269,873	4,119,776	3,893,142
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	736,072,289	699,495	640,481	617,966	583,971
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 736,072,289</u>	<u>\$ 699,495</u>	<u>\$ 640,481</u>	<u>\$ 617,966</u>	<u>\$ 583,971</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.

City of Stockton
Table 15 (Continued)
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years
(Dollar amounts in thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Assessed valuation (1)	\$ 16,340,562	\$ 16,957,547	\$ 18,903,286	\$ 19,281,142	\$ 18,043,181
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,085,141	4,239,387	4,725,822	4,820,286	4,510,795
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	612,771	635,908	708,873	723,043	676,619
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 612,771</u>	<u>\$ 635,908</u>	<u>\$ 708,873</u>	<u>\$ 723,043</u>	<u>\$ 676,619</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.

City of Stockton
Table 16
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars amounts in thousands)

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Debt Coverage Ratio
				Principal	Interest	Total	
Water Revenue Bonds							
2016	\$ 37,906	\$ 23,312	\$ 14,594	\$ 87	\$ 13,242	\$ 13,329	1.09 *
2015	\$ 42,416	\$ 22,830	\$ 19,586	\$ 4,263	\$ 13,397	\$ 17,660	1.11 *
2014	\$ 38,991	\$ 19,762	\$ 19,229	\$ 3,939	\$ 12,116	\$ 16,055	1.20
2013	\$ 40,601	\$ 21,652	\$ 18,949	\$ 3,780	\$ 10,139	\$ 13,919	1.36
2012	\$ 35,914	\$ 20,055	\$ 15,859	\$ 711	\$ 2,146	\$ 2,857	5.55
2011	\$ 34,245	\$ 19,987	\$ 14,258	\$ 688	\$ 8,839	\$ 9,527	1.50
2010	\$ 29,131	\$ 17,546	\$ 11,585	\$ 655	\$ 3,199	\$ 3,854	3.01
2009	\$ 26,080	\$ 20,123	\$ 5,957	\$ 627	\$ 1,728	\$ 2,355	2.53
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

* Coverage requirement is 1.15, however, it is applied in sequence, first to the senior, and then to the subordinate issues.

Done in sequence both senior and subordinate issues met the coverage requirement in both years.

City of Stockton
Table 16 (Continued)
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years
(Dollars amounts in thousands)

Wastewater Certificates of Participation (3)

2016	\$	70,532	\$	43,730	\$	26,802	\$	3,230	\$	3,254	\$	6,484	4.13 *
2015	\$	57,321	\$	39,698	\$	17,623	\$	3,390	\$	3,217	\$	6,607	2.67
2014	\$	61,230	\$	40,173	\$	21,057	\$	3,230	\$	4,143	\$	7,373	2.86
2013	\$	56,316	\$	35,423	\$	20,893	\$	3,090	\$	4,287	\$	7,377	2.83
2012	\$	51,708	\$	35,206	\$	16,502	\$	2,955	\$	4,417	\$	7,372	2.24
2011	\$	45,152	\$	33,325	\$	11,827	\$	-	\$	4,480	\$	4,480	2.64
2010	\$	39,716	\$	30,094	\$	9,622	\$	2,720	\$	4,659	\$	7,379	1.30
2009	\$	38,298	\$	35,002	\$	3,296	\$	2,605	\$	4,770	\$	7,375	0.45
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

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.

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
2016	315,592	\$ 11,404	\$ 36,136	8.3 %	323,200	100,146	3.20	\$ 45,347	71,738
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

College and Graduate School Enrollment numbers for 209 and 2010 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 Year and Nine Years Ago

Employer	Fiscal Year					
	2016			2007		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
San Joaquin County	6,000	1	1.93 %	6,700	1	6 %
St. Joseph's Medical Center	4,600	2	1.48 %	2,800	3	2.57 %
Stockton Unified School District	3,894	3	1.25 %	5,800	2	5.33 %
City of Stockton	1,862	4	0.60 %	1,600	4	1 %
Dameron Hospital	1,200	5	0.39 %	1,200	5	1.10 %
Pacific Gas and Electric	1,100	6	0.35 %	880	8	0.81 %
Kaiser Permanente	1,065	7	0.34 %	760	9	0.70 %
San Joaquin Delta College	967	8	0.31 %			- %
University of the Pacific	900	9	0.29 %	975	7	0.90 %
Lincoln Unified School District	765	10	0.25 %			- %
California Department of Transportation	-	-	- %	750	10	0.69 %
Washington Mutual	-	-	- %	1,000	6	0.92 %
Total	22,353		7.19 %	22,465		20.02 %

Note: Principal employers are based on best available information.

Sources: San Joaquin Partnership Survey, September 2016
City of Stockton CAFR, 2007

City of Stockton
Table 19
Full-Time Equivalent City Government Employees
By Function/Program/Department
Last Five Fiscal Years

Function/Program/Department:	Fiscal Year				
	2016	2015	2014	2013	2012
Admin Svcs	65	59	88	89	90
City Attorney	9	10	8	8	9
City Auditor	-	-	-	-	4
City Clerk	7	7	5	5	6
City Council/Mayor	1	1	1	1	2
City Manager	25	20	19	19	19
Community Development	33	29	27	26	26
Community Services	82	78	78	77	80
Human Resources	28	26	25	25	22
Information Technology	36	35	-	-	-
Police:					
Sworn	411	387	348	324	316
Non-sworn	179	168	165	167	162
Animal control	12	13	13	11	11
Total Police	<u>602</u>	<u>568</u>	<u>526</u>	<u>502</u>	<u>489</u>
Fire:					
Firefighters-sworn	168	160	168	168	176
Firefighters-auxiliary	22	28	18	26	24
Non-sworn personnel	24	24	23	23	24
Paramedic teams (2 per team)	-	-	-	-	-
Total Fire	<u>214</u>	<u>212</u>	<u>209</u>	<u>217</u>	<u>224</u>
Public Works	142	140	138	132	125
Economic Development	18	17	17	16	17
Water Utility	45	49	41	41	42
Wastewater Utility	149	138	136	144	144
Stormwater Utility	2	7	6	3	4
Central Parking District (1)	-	-	-	-	-
Total	<u>1,458</u>	<u>1,396</u>	<u>1,324</u>	<u>1,305</u>	<u>1,303</u>

(1) In FY 2015 Central Parking District was dissolved and current operations are handled by the Parking Authority.

City of Stockton
Table 20
Operating Indicators by Function/Program/Department
Last Five Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
General government:					
Building permits issued	2,537	6,576	4,595	3,956	4,007
Business tax certificates:					
Retail sales and service	6,228	5,908	5,821	5,886	5,833
Rental Properties - Commercial and Residential	4,700	4,485	4,466	4,624	4,589
Wholesale	424	390	374	330	330
Manufacturers and processors	179	156	163	177	175
Professions	1,809	1,856	1,878	1,947	2,019
Miscellaneous contractors, peddlers, delivery vehicles, etc.	4,534	4,018	4,054	4,104	4,187
Improvement district and hotel/motel room tax	46	42	90	90	90
Utility billing/customer service:					
Utility bills issued	1,091,429	636,359	640,836	626,335	632,540
Utility accounts opened and closed	27,214	16,635	19,138	21,405	22,198
New service locations (water) added	124	107	120	113	1
Delinquency Notices Sent - Active Accounts	85,752	80,682	82,050	81,358	53,216
Water Service Terminated for Non-Payment	4,489	6,674	4,972	5,909	4,732
Utility customer service calls received	62,178	56,549	46,179	57,126	65,708
Utility customers using automated voice response	45,026	291,065	195,917	195,478	124,804
Utility Customers Using Online Pmt/Account Access	39,369	35,614	29,209	26,430	
Miscellaneous accounts receivable bills issued	30,748	45,157	31,355	44,243	24,665
Public safety:					
Police:					
Major reported crimes	16,871	16,943	17,821	19,859	20,110
Total arrests	10,893	11,278	11,541	10,585	9,206
Dispatched calls for service	129,602	123,737	119,187	119,276	125,939
Fire:					
Interior structure fire calls	356	363	403	364	347
Non-structural fire calls	2,019	1,668	1,430	1,117	1,152
Hazardous materials calls	527	226	234	226	194
Emergency medical calls	22,933	18,686	18,422	21,729	21,374
Total emergency calls	39,613	35,748	37,387	39,518	40,050
Total number of units dispatched	47,284	47,467	45,709	47,939	46,865
Public works:					
Miles of streets resurfaced	7	2	4	19	15
Fleet job orders completed	8,368	8,797	10,065	9,625	9,435

City of Stockton
Table 20 (Continued)
Operating Indicators by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Library:					
Registered borrowers	191,699	151,504	221,844	209,823	222,151
Circulation of library materials	1,498,176	1,576,156	1,640,185	1,673,049	1,707,788
Reference, research and informational questions answered	156,340	167,744	167,857	228,240	220,343
Annual attendance at libraries	877,766	922,957	952,894	981,213	1,078,785
Number of programs offered	3,446	2,977	2,898	2,567	2,325
Annual attendance at programs	87,505	78,874	81,356	77,448	78,430
Parks and Recreation:					
Golf rounds:					
Swenson Park golf course	50,683	50,699	57,757	54,492	59,699
Van Buskirk golf course	18,083	21,731	21,919	24,316	27,047
Trees planted	6	-	-	5	14
Heritage tree removal-permits issued	11	7	10	16	14
After school program registration (number of participants)	22,454	23,408	20,620	23,365	16,996
Day camp participants	4,951	7,444	4,363	2,583	604
Instructional classes	3,866	3,591	2,327	1,426	1,855
Softball/baseball diamonds bookings	368	344	273	73	2,839
Showmobile (Mobile Stage) bookings	27	32	30	34	24
Community center bookings	928	1,133	1,444	1,441	1,346
Picnic facility bookings	417	339	328	475	393
Adult sports (number of teams):					
Softball	238	297	347	348	324
Basketball	-	-	-	26	69
Volleyball	-	-	-	15	10
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants)	2,785	3,620	3,715	2,688	2,500

City of Stockton
Table 20 (Continued)
Operating Indicators by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Parks and Recreation (cont.):					
Admissions to:					
Pixie Woods	12,452	13,950	12,500	12,161	13,357
Senior Center memberships	874	1,276	911	943	678
Civic Auditorium bookings	99	144	139	157	60
Parks and Recreation sponsored events	13	17	14	-	-
Weber Point Events Center bookings	18	25	35	43	18
Economic Development: (1)					
Rental Housing Units	-	49	71	91	110
Owner Housing (Emergency Repair or Rehabilitation)	5	5	17	6	7
Down Payment Assistance	4	-	18	2	1
Special Needs (Homes Repaired or Rehabilitated)	6	5	2	7	12
Public Facilities (Rehabilitated or Constructed)	1	-	1	1	2
Façade Program (Commercial Façade Repair/Rehabilitated)	4	-	6	2	-
Public Services Provided	52,424	118,316	205,884	189,606	85,296
Homeless Services Provided	3,597	532,043	3,555	4,420	4,465
Meals Provided to Homeless	-	-	539,626	519,740	573,591
Jobs Created and/or Retained	5	2	14	14	7
Water utility:					
New connections (DUE's) (2)	124	29	92	219	236
Water main breaks	13	14	16	16	19
Wastewater utility:					
Average daily influent (million gallons per day)	24 mgd	30 mgd	32 mgd	33 mgd	24 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				
	2016	2015	2014	2013	2012
General government:					
Land use-square miles:					
Residential	25	25	25	25	34
Mixed use	4	4	4	4	5
Commercial	4	5	4	4	5
Industrial	13	13	13	13	11
Institutional	4	4	4	4	6
All other uses	3	3	3	3	4
Total square miles	53	54	53	53	65
Public safety:					
Police:					
Facilities:					
Stations and substations	1	1	1	1	1
Animal control facility	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1
Vehicles:					
Marked patrol cars	211	189	164	145	157
Motorcycles and scooters	28	27	32	34	34
Animal control vehicles	8	8	9	9	9
VIPS vehicles	7	7	7	7	7
Other automobiles	283	173	154	154	165
Other mobile units (all others)	444	444	15	15	15
Public area security cameras	300	300	76	76	76
Fire:					
Fire stations	12	12	12	12	12
Training facilities	1	1	1	1	1
Fire hydrants	9,032	9,039	8,981	8,959	8,608
Public works:					
Miles of streets	769	806	760	760	760
Traffic signals	291	291	312	307	303
Street light fixtures	21,993	19,224	19,196	19,195	19,188

City of Stockton
Table 21 (Continued)
Capital Asset Statistics by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Parks and recreation:					
Arena	1	1	1	1	1
Ballpark	1	1	1	1	1
Baseball/softball diamonds	-	54	54	54	54
Bike/jogging paths (miles)	-	20	20	20	20
Boating facilities - launch lanes	12	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
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
Playgrounds	-	71	71	71	71
Senior center	1	1	1	1	1
Showmobile (Mobile Stage)	1	1	1	1	1
Skateboard park	-	1	1	1	1
Swimming pools	7	7	7	7	4
Teen Center	1	1	1	1	1
Tennis courts	-	67	67	67	67
Theater (Bob Hope)	1	1	1	1	1
Weber Point Events Center	1	1	1	1	1
Consolidated landscape maintenance districts:					
Streetscaping (square feet)	3.6 million	3.6 million	3.6 million	3.6 million	2.2 million
Public open spaces (acreage)	70	70	70	70	68

City of Stockton
Table 21 (Continued)
Capital Asset Statistics by Function/Program/Department (Continued)
Last Five Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Water utility:					
Water main lines (miles)	668	668	668	665	629
Storage capacity (thousand gallons)	26,200	26,200	26,200	26,200	22,200
Water wells (active)	19	21	21	21	22
Water reservoirs	8	8	8	8	7
Wastewater utility:					
Wastewater main lines (miles)	899	899	861	928	923
Treatment capacity (million gals/day)	55	55	55	55	55
Wastewater pump stations	27	27	27	27	27
Stormwater utility:					
Stormwater main drain lines (miles) (1)	626	626	488	488	488
Stormwater pump stations	74	72	72	72	72
Parking Authority: (3)					
Parking spaces	5,549	4,259	3,656	3,656	3,461
Parking lots & garages	23	18	21	21	19

(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 handled by the Parking Authority.

Source: City of Stockton Departments