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CITY OF STOCKTON

# COMPREHENSIVE

# ANNUAL

# FINANCIAL REPORT







CITY OF STOCKTON

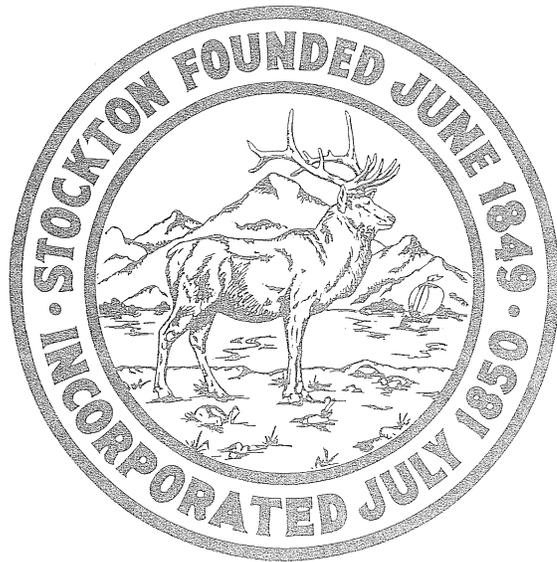
# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
CITY OF STOCKTON, CALIFORNIA

Prepared and Issued by  
Administrative Services Department

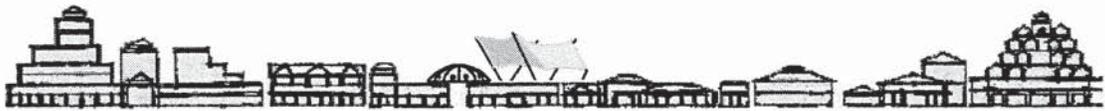
VANESSA BURKE  
Chief Financial Officer







CITY OF STOCKTON



**INTRODUCTORY SECTION**



**City of Stockton**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2014**

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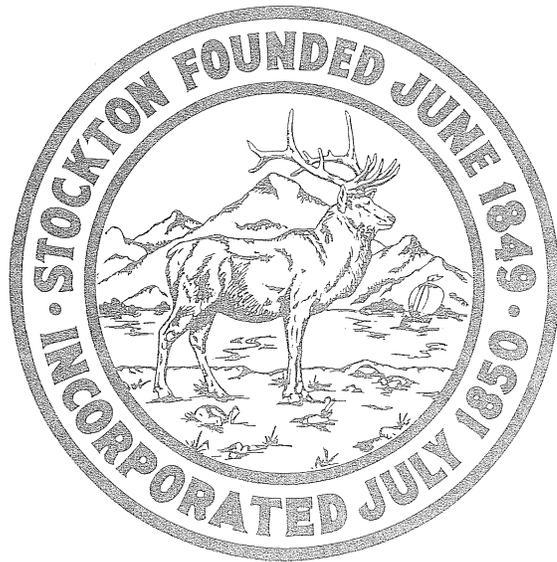
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# CITY OF STOCKTON

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

January 6, 2015

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

The Stockton City Charter, federal grant regulations and agreements with investors require the City of Stockton, California (“City”) to publish a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (“GAAP”) and audited by a firm of licensed certified public accountants. Pursuant to that requirement, we respectfully submit the Comprehensive Annual Financial Report (“CAFR”) of the City of Stockton for the fiscal year ended June 30, 2014.

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

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

## ***FINANCIAL CONDITION HIGHLIGHTS***

Financial results for the year compare favorably with budget estimates in most all areas of the City’s operations. For General Fund, financial results for the year were significantly better than estimated for expenditures (including encumbrances and carryovers) and came in 12% under budget. Revenues and other sources were 1.9% above targeted projections. This resulted in an ending General Fund unassigned fund balance of \$9.8 million, which is a \$6.7 million improvement from prior year. This is also consistent with the interim budget results reported to the City Council in November 2014. Moreover, it is also in line with the City’s Plan of Adjustment supported by the Long-Range Financial Plan and Council’s strategic direction to allow unassigned fund balance to steadily rebuild reserves.

The City’s Business-Type Activities revenues exceeded expenses by approximately \$53,000 and were consistent with projections made at the beginning of the year, which included fourth year 9% rate increase in wastewater user’s fee. This increase is offset by the City beginning to invest more in maintenance and infrastructure replacement after years of deferrals. In addition, impacts that could have been felt from the drought did not impact the water utility because the City did not have sole reliance on ground water wells and purchased surface water as it was able to draw water through the Delta Water Supply Project.

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

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

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

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

The City, working with its bankruptcy consultants, has developed a comprehensive and detailed 30-year Long-Range Financial Plan (LRFP), which provides a long-term forecast for the City's General Fund. The LRFP was prepared in connection with the City's bankruptcy filing and shows 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 LRFP was based on the Plan of Adjustment which includes certain assumptions and agreements reached with the City's capital market creditors. Though the variables underlying these assumptions may change with time, the LRFP is a model of likely fiscal performance in a conservative and realistic manner. The LRFP is prudently conservative but subject to risk that underlying assumptions made could change or not materialize.

For more detailed analysis of 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*.

### *Voter Approved ¾ Cent Transactions and Use Tax*

To maintain fiscal sustainability and aid the City in its exit plan from bankruptcy, voters on November 5, 2013 approved Measures A, which generated \$6.6 million in sales tax revenues in the first partial year 2013-14 and is projected to generate nearly \$28 million in future full fiscal years. The non-binding advisory measure (Measure B) recommends the City spend 65% of the new sales tax proceeds to pay for law enforcement and crime prevention services, such as those described in the City's Marshall Plan on Crime, and 35% be used to pay for the City's efforts to end bankruptcy and to restore services to residents, businesses and property owners. The sales tax increase went into effect on April 1, 2014. This much needed tax revenue is a start toward rebuilding the City's long-term viability and quality of life as a safe place to live, work and play. The City Council took action in February 2014 to approve the appropriation of funding for the first phase of the implementation plan, which approved the hiring of an additional 13 police officers plus support staff. A total of 120 police officer positions are to be phased in over a three year period. As of October 2014, the City was able to fill 16 positions, of which 6 were police officers. Significant effort on recruitment of police officers is continuing. As of December 31, 2014, the Police Department has hired 193 officers since January 2012. However, after retirements and separations the department's net gain was 53 officers.

### *Marshall Plan on Crime*

One of the strategic work plans adopted by the Stockton City Council to reduce crime and increase public safety is the Marshall Plan on Crime. Since the initiative began, crime in Stockton has dropped significantly. In calendar year 2013, violent crimes decreased 21.8%, and the overall crime was down 5.8% from the prior year. As of October 2014, although violent crime increased 4.5% from 2013 and 47 homicides occurred; the overall crime in the city went down another 10.5%. Decline in crime partly is a result of the efforts of the Stockton Police Department and Operation Ceasefire, a key component of the Marshall Plan on Crime. With the Phase I implementation of Measure A approved by City Council in February 2014, the Office of Violence Prevention has been created to institutionalize and expand Operation Ceasefire.

### *Plan of Adjustment and Financial Recovery*

On October 10, 2013, the City filed with the U.S. Bankruptcy Court a proposed plan of adjustment (“Plan”) to restructure its obligations as well as its disclosure statement. An amended and modified plan of adjustment was filed on June 8, 2014. The hearing to consider confirmation of the City's proposed plan of adjustment began on May 12, 2014 and was completed on October 30, 2014, and included five days of trial and three additional hearings limited to argument of counsel. At the October 30<sup>th</sup> hearing, the bankruptcy judge announced his oral decision to confirm the Plan.

On November 10, 2014, Franklin Advisors, Inc. and an affiliate (“Franklin”) filed an appeal and sought a stay of the court’s forthcoming order confirming the Plan. On December 10, 2014, the bankruptcy court considered Franklin’s motion to prohibit the City from consummating the Plan until its appeal has been decided. The court also considered Franklin’s motion to amend its ruling on the calculation of claims of retirees’ health benefits and rejected the motion. In January 2015, the Court is expected to issue the final approval of the Plan and consider Franklin’s request for the stay. If the stay motion is granted, the bankruptcy process will likely continue for an undetermined number of months or years.

As of December 10, 2014, the bankruptcy process will have consumed over two and a half years, with the first nine months spent in litigation over eligibility, and nearly two years in mediation, development and defense of the Plan. Assuming the bankruptcy court does not stay the confirmation of the Plan and the Plan is consummated, the City will exit bankruptcy having reduced over \$1.7 billion in outstanding claims.

Please refer to the City’s website for detailed information about the City Council’s actions, including a copy of the June 8, 2014 version of the Plan:

- Chapter 9 bankruptcy - [www.stocktongov.com/bankruptcy](http://www.stocktongov.com/bankruptcy), and
- Budget - [www.stocktongov.com/budget](http://www.stocktongov.com/budget).

For additional information see Note 17 to the Financial Statements.

### *Remarketing of Stockton Public Financing Authority Variable Rate Demand Water Revenue Bonds*

In November 2013, the City and the Authority remarketed \$54.1 million of demand water revenue bonds from a variable rate of interest to a fixed rate of interest. As part of the sale, S&P rating agency reviewed the City's Water Utility and issues a credit rating for the re-marketing of A-. They also upgraded the other Senior Lien debt of the Water Utility from BB+ to A-, and upgraded the subordinate lien debt from BB+ to BBB+. This was a noteworthy event for the City as it happened in the midst of the City's bankruptcy. Credit ratings upgrade may allow the Water Utility to issue bonds with more favorable terms in the future should the need arise.

### **PROFILE OF THE GOVERNMENT**

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

The City encompasses nearly 65 square miles. In January 2014, the City's estimated population was approximately 300,899, making it the 13<sup>th</sup> largest city in California. Stockton is surrounded by the rich and fertile lands of the California Central Valley and is home to the furthest inland deep water seaport in California. The City has a diversified economic base as a regional center for commerce, both in agricultural and manufacturing export trade activities. Its distribution of sales tax producing businesses mirrors the diversity of the average of all California cities. The University of the Pacific, California State University-Stanislaus, Stockton campus and San Joaquin Delta Community College are all located in Stockton. Four school districts serve K-12 students within the City limits.

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

One of the oldest cities in the State of California, Stockton was founded in 1849 and incorporated in 1850. Stockton's first local Charter under the 1879 State Constitution was approved by the voters in 1888 and ratified by the State Legislature in 1889. The current Charter, under which the City operates, was approved by the voters in November 1922 and became effective in 1923. This Charter changed the City from a commission form of government to the current City Council - City Manager form of government. Under the Council-Manager form of government, policy-making and legislative authority are entrusted to the City Council. The Mayor and representatives from six districts are chosen by city-wide election for staggered four year terms, with a two term limit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, appointing department heads and overseeing the operation of the City. The City Manager, City Attorney, City Auditor, and City Clerk are appointed by the City Council.

The City Charter has been amended over 100 times since its approval in 1922, with the most recent amendment approved by voters in November 2014. In June 2013, a Charter Review Advisory Committee (CRAC) and an Ad-Hoc Committee under the City Council were formed to evaluate certain sections of the Charter recommended for

amendment. The Ad-Hoc Committee advises the City Council on proposed amendments to the City Charter submitted by staff and the CRAC. Future elections could see additional proposed amendments to the City's Charter.

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

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

### ***THE LOCAL ECONOMY***

In January 2014, Stockton officially broke the 300,000 population mark according to California Department of Finance population estimates for 2014. Stockton's population now stands at 300,899, a 1.1% increase over last year's population estimate of 297,757. The University of the Pacific (UOP) forecast projects that population will continue to increase at a rate of 0.9% and 1.0% for 2015 and 2016. As the 13th largest city in California, Stockton is comparable to cities like Pittsburgh, Orlando, Cincinnati, Buffalo, and Salt Lake City.

According to UOP's Eberhardt School of Business, Business Forecasting Center, Northern California is expected to lead California's economic recovery primarily from the market rebound in the Silicon Valley and San Francisco. The continued job growth in the San Joaquin Valley is ranging from 1% to 3.4%. This is encouraging given the impacts of drought and the lethargic homebuilding industry in the region. Job growth is predicted to exceed 2% in all San Joaquin Valley areas in 2015 and 2016. The Stockton Metropolitan Statistical Area (MSA), which includes the City of Stockton and surrounding areas, continues to see gradual growth in its economy. Employment in the Stockton MSA is anticipated to increase 2.5% in 2015 and 2.2% in 2016. As a result, the unemployment rate is expected to decrease from 11.3% in 2014 to 10.2% in 2015. Future trends for growth are expected to be gradual with unemployment rates remaining at approximately 50% above the statewide rate and about 150% above San Francisco-Bay Area rates.

According to UOP research, the drought caused insignificant loss to California's economic output in 2014. However, should the drought persist into 2015, the impacts will be more significant as water supplies from surface storage reservoirs and ground water continue are depleted, particularly in the agricultural regions.

#### *Economic Development and Job Creation*

The City of Stockton's advantages in location, markets and access made Stockton a magnet for real estate development from 2000 to 2007. These attributes attracted residents who commuted to high-paying jobs in the Bay Area, exposing the local

economy and the City to financial risks when the housing and financial markets collapsed. In 2008, the City recorded the highest revenue levels in its history. In the preceding five years, permits for single-family dwellings had swelled to nearly 3,000 per year when the historical 10 year average was 800. This signaled anticipated future population growth of nearly 10,000 people per year. However, during the fiscal years 2008-09 through 2011-12, residential dwelling permits averaged only 135 per year and in fiscal years 2013 and 2014 were at 100 and 88, respectively.

The median home prices fell from a peak of \$400,000 in December 2005 to \$118,500 in February 2012, a decline of 70%. By September 2014, the median home price in Stockton had still only recovered to \$197,000. The fiscal year 2014-15 tax roll for the City of Stockton shows a net taxable value increase of 9.2% which is equivalent to the countywide increase of 9.2%. As of July 2014, countywide assessed values are at 93% of the peak values in 2007. Stockton continues to lag in its recovery as compared to other nearby regions of Northern California. The City's Community Development Department does not expect a normal housing market to become established until 2016 or 2017.

The City is in the process of updating its 2035 General Plan last approved by the City Council in December 2007. The Plan consists of eleven elements that address both the State-mandated planning issues plus optional subjects that are of particular concern with the City. The General Plan addresses new and existing areas as series of distinctive neighborhoods and villages to guide growth and revitalize districts and corridors.

Other General Fund tax revenues reflect the slow economic recovery with the fiscal year 2013-14 growth experience of 1.5%-2.5% expected to continue in fiscal year 2014-15. With the first full year of estimated revenues from the new  $\frac{3}{4}$  cent sales tax, fiscal year 2014-15 total General Fund revenues are anticipated to be \$193.8 million which is comparable to the pre-recession levels.

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

### ***RESERVE POLICIES***

The City Council has adopted policies establishing minimum target levels of unassigned fund balance to be maintained in the various funds to provide for contingencies and for economic uncertainties. The current financial crisis and subsequent bankruptcy filing prevented the City from achieving the established General Fund reserve levels as of June 30, 2014. However, unassigned and available General Fund balance of \$9.7 million at the end of the fiscal year is consistent with the Plan of Adjustment and the LRFPP projections. The projections assume a steady growth in reserve balances until fiscal year 2032-33 when reserve targets are projected to be met and anticipated to be maintained.

The growth in the reserve balance in FY 2013-14 is a start to building funds for its mission critical needs, such as years of deferred maintenance, a new financial system, replacement of the aging public safety radio infrastructure, and resolving deficits in its Internal Service Funds.

The \$9.8 million reserve was achieved through a one-time refund of Property Tax Administration Fee settlement dollars, newly collected Measure A sales tax revenues from the last quarter of fiscal year 2013-14 and the significant restructuring of the City's obligations under bankruptcy protection. The General Fund unassigned fund balance is only possible as a result of protections afforded by the bankruptcy filing, and significant and sweeping cuts made in prior years. The \$9.8 million is a significant improvement of the General Fund reserve, yet it is still inadequate for a City the size of Stockton.

The current General Fund target reserve policy is due for a review and revision to accommodate GFOA recommended best practices, the Plan of Adjustment (as amended) once confirmed, and the LRFP. The City Council has approved budget actions consistent with the LRFP which provides a range of reserves and target GFOA recommended reserve level of two months' worth of expenditures or 16.67%.

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

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

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

*Capital Financing and Debt Management Policy*

<http://www.stocktongov.com/files/2008CIPDebtPolicies.pdf>

*Policies and Procedures for Land-Secured Financing*

<http://www.stocktongov.com/files/2008LandSecuredDebtPolicies.pdf>

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

#### ***INVESTMENT POLICY***

The City adopts an investment policy annually that provides guidelines for the prudent investment of the City's cash balances. In late 2006 with the support of the Budget, Finance and Economic Development Committee, the City Council authorized the Administrative Services Department to contract for investment portfolio management services. Effective July 1, 2007, the City entered into an agreement with Chandler Asset Management for management of the City's long-term investment portfolio. Both the City's long-term investment portfolio management and daily liquid cash requirements are overseen by the Administrative Services Department.

The City's investment policy is posted to the City's web site:

[http://www.stocktongov.com/files/2012\\_2014\\_Investment\\_Policy.pdf](http://www.stocktongov.com/files/2012_2014_Investment_Policy.pdf)

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

The California Government Code, and the City's investment policy adopted in compliance with that Code, defines how the City's cash can be invested. The City's policy also outlines the principles for maximizing the efficiency of the City's cash management operations while meeting the daily cash flow demands of the City. The average rate of return on funds not held by fiscal agents for the fiscal year ending June 30, 2014 was 0.96%. The average rate earned for prior year was 0.07%. As of June 30, 2014, the market value for the City's investments, excluding restricted cash with fiscal agents, totaled \$319.3 million, which compares to current holdings at September 30, 2014 of \$274.0 million. The City uses professional portfolio management for a portion of its portfolio not needed for operations and contingencies in the next six months. Cash required for operations is managed in highly liquid short-term investments by the City's Treasury staff.

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

### ***GENERALLY ACCEPTED ACCOUNTING PRINCIPALS***

The Governmental Accounting Standards Board ("GASB") establishes GAAP for local and state governments in the United States and Canada. Its counterpart for private-sector entities is the Financial Accounting Standard Board ("FASB"). The American Institute of Certified Public Accountants and state and federal regulators require that financial reports follow GAAP in order to receive an unmodified audit opinion. Additional standards that govern disclosures in the CAFR are derived from the Government Finance Officers Association of the United States and Canada ("GFOA") and the California Committee on Municipal Accounting ("CCMA").

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

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

### ***INDEPENDENT AUDIT***

The City Charter, Article XIX, Section 1911, requires that "an independent audit be made of all City accounts each fiscal year by certified public accountants". The City of Stockton's financial statements have been audited by Pun & McGeady, LLP, an independent firm of licensed certified public accountants.

The purpose of the independent audit is to obtain reasonable assurance that the financial statements are free of material misstatement and are fairly presented in conformity with GAAP. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditors issued an unmodified opinion for the fiscal year ended June 30, 2014. Important information was also included in the opinion commenting on the City's ability to continue as a going concern due to the pending the outcome of the chapter 9 bankruptcy filing that occurred on June 28, 2012. Their report is presented first in the financial section of this report.

#### ***SINGLE AUDIT REPORT TO FEDERAL GRANTING AGENCIES***

A broader, federally mandated "Single Audit", designed to meet the needs of federal granting agencies, is also required. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements and on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Additional federal grant reporting is required of grant awards received under Office of Management and Budget Circular A-133 and the American Recovery and Reinvestment Act ("ARRA").

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

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

The intent of the CAFR is to provide the City Council and the public with an understanding of the City's financial position. Management assumes responsibility for the completeness, accuracy and reliability of the information presented in this report. To provide a reasonable basis for making these representations, City management established an internal control framework intended to protect the City's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City's financial statements.

The City's comprehensive system of internal controls is the subject of ongoing review to improve the timeliness and accuracy of the CAFR, management reporting and controls. In the nearly two dozen or more audits completed to date since 2011, a large number of significant and material weaknesses in the internal control structure (many due to use of an antiquated financial system) have been found and reported by management and the auditors. The Finance team with the City's new Internal Auditor, Moss Adams LLP, has been engaged in an extensive review under its internal audit plan and risk assessment to identify and improve the City's key controls, systems, policies, and procedures. This important body of work will take place over 24 months and help the City as it emerges from bankruptcy to support restoring the City's fiscal health and sustainability.

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

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

The Certificate of Achievement is a prestigious national annual award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR with contents that conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. Since the City's fiscal crisis emerged, the City did not submit its CAFR for the award. Nonetheless, we believe those reports conformed to the Certificate of Achievement program requirements. The City plans to submit the fiscal year 2014 CAFR for an award.

***ACKNOWLEDGEMENTS***

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

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

Respectfully submitted,



KURT O. WILSON  
CITY MANAGER



VANESSA BURKE  
CHIEF FINANCIAL OFFICER

# CITY OF STOCKTON CITY COUNCIL



**ANTHONY SILVA**  
MAYOR



**PAUL CANEPA**  
VICE MAYOR  
District 3



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



**KATHERINE M. MILLER**  
COUNCILMEMBER  
District 2



**MOSES ZAPIEN**  
COUNCILMEMBER  
District 4



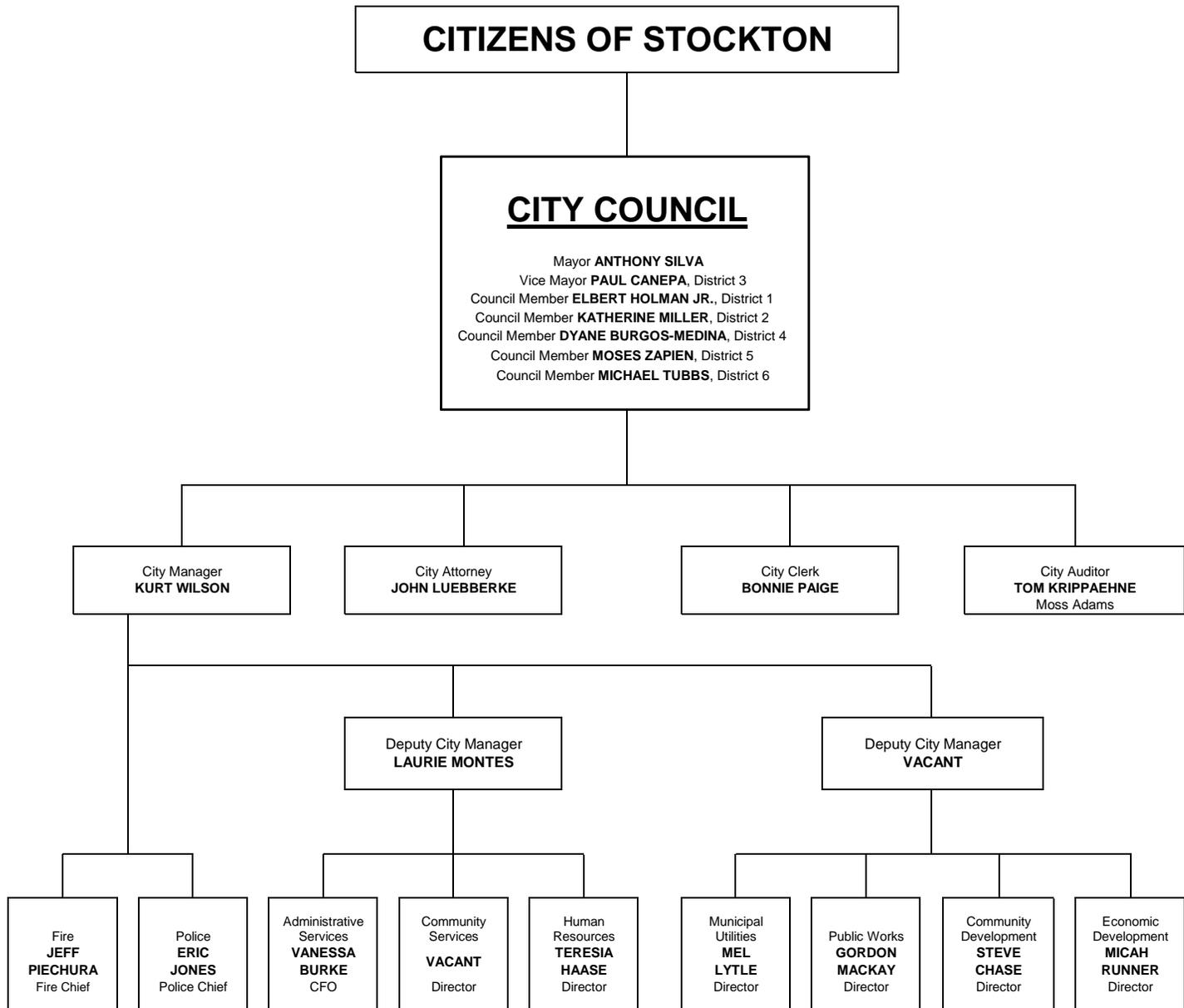
**DYANE BURGOS-MEDINA**  
COUNCILMEMBER  
District 5



**MICHAEL D. TUBBS**  
COUNCILMEMBER  
District 6

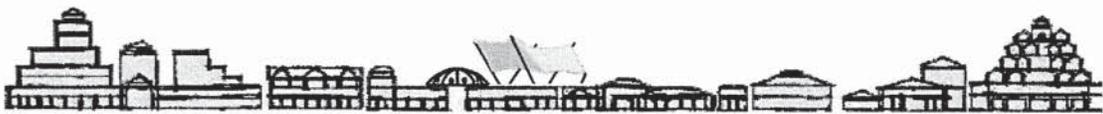


# CITY OF STOCKTON ORGANIZATION CHART AS OF JUNE 30, 2014





CITY OF STOCKTON



**FINANCIAL SECTION**





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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Going Concern*

The accompanying financial statements have been prepared assuming the City will continue as a going concern. As discussed in Note 17 to the basic financial statements, the City filed a case on June 28, 2012 seeking bankruptcy protection and adjustment of its liabilities under Chapter 9 of the United States Bankruptcy Code. These conditions raise substantial doubt about its ability to continue as going concern. Management's plans regarding those matters also are described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

#### *Accounting Changes*

As described in Note 1 to the basic financial statements, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2013 as described in Note 19 to the basic financial statements. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress for pensions and OPEB on pages 4 to 23 and 131 to 138 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, 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

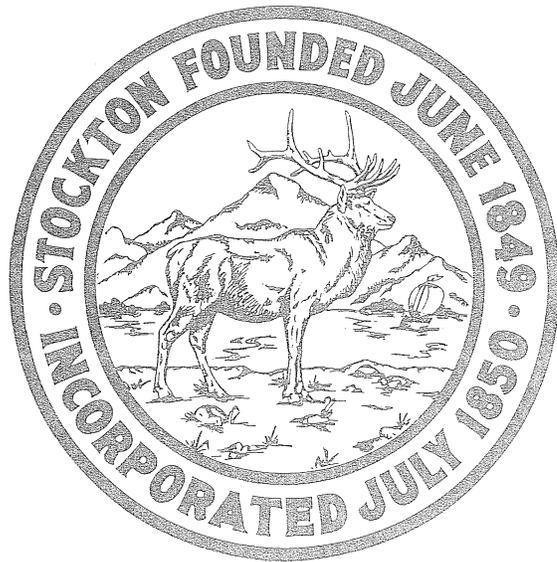
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California  
January 6, 2015





CITY OF STOCKTON



**MANAGEMENT'S DISCUSSION AND ANALYSIS**



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

***JUNE 30, 2014***

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's basic financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

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

Over the past several years the City of Stockton absorbed painful service reductions and has gone through a long and arduous effort to repair the damage to its finances caused by poor fiscal management and the severe impacts of the "Great Recession". This combination exhausted the City's general financial reserves and resulted in the City's inability to pay its obligations. Those obligations exceeded General Fund resources, and would have continued to grow in future years. After an exhaustive self-examination, verification of City's financial status by staff and outside experts, significant reductions and participation in a new State mandated mediation process (AB 506), the City Council made decision to apply for bankruptcy protection under Chapter 9 of the federal bankruptcy code. On June 28, 2012, the City filed a petition for bankruptcy protection.

The City Council adopted a budget on June 26, 2012, a Pendency Plan that includes substantial cuts and elimination of City general fund expenditures to maintain essential services within existing resources. Several City creditors challenged the City's eligibility to be a Chapter 9 shortly after the City filed its bankruptcy case. On April 1, 2014 the United States Bankruptcy Court Judge ruled the City had negotiated in good faith, was insolvent and eligible for Chapter 9 bankruptcy protection. On October 30, 2014, Judge Klein announced his oral decision to approve the plan of adjustment (as modified on June 8, 2014). On December 10, 2014, the bankruptcy court considered Franklin's motion to prohibit the City from consummating the Plan until its appeal has been decided (which likely will not be until late 2015, if that soon). The court also considered Franklin's motion to amend its ruling on the amount of claims of former health benefit recipients and rejected the motion. In January 2015, the Court is expected to issue the final approval of the Plan and consider Franklin's request for the stay.

The information can be found in Note - 17 Chapter 9 Bankruptcy.

### ***FINANCIAL HIGHLIGHTS***

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

- The government-wide statement of net position for the City's governmental and business-type activities shows that as of June 30, 2014, total assets and deferred outflow

of resources exceeded its liabilities by \$1.3 billion. Of this amount, negative \$20.2 million represents unrestricted net position, \$150.8 million is restricted for City's ongoing obligation related to programs with external restrictions and the remaining \$1.1 billion represents the City's net investment in capital assets, less any related outstanding debt used to acquire those assets.

- Government-wide revenues decreased by \$20.0 million or 5.0%, primarily due to decrease in capital and operating grants and contributions of \$30.0 million; and a loss on sale of capital assets of \$3.7 million; offset by increases in city levied Measure A sales tax of \$6.5 million; state levied sales tax of \$1.1 million; investment earnings of \$1.9 million; and other revenues of \$4.2 million.
- Government-wide expenses increased by \$30.4 million or 9.0% from the prior fiscal year. Of which, governmental activity expenses increased by \$29.2 million, primarily related to general government and public safety, while business-type activity expenses increased by \$1.2 million, mainly in wastewater utility.

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

- The City's governmental funds reported combined ending fund balances of \$112.1 million at the close of June 30, 2014, an increase of \$18.3 million from the prior fiscal year. Approximately \$10.9 million of this amount represents a combined net deficit fund balance, which is comprised of \$9.8 million in the General Fund balance and a \$20.7 million in the Debt Service Fund deficit.
- The General Fund ended the year with a \$50.9 million fund balance. Of this amount, \$9.8 million or 6.1% of General Fund expenditures are unassigned. The remaining balance of \$41.1 million is: assigned for subsequent year appropriations of \$3.1 million for general government operations; committed for bankruptcy of \$30.1 million and for general government operations of \$3.9 million; nonspendable for inventory and prepaid expense of \$0.5 million; and restricted for debt service of \$3.6 million.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

### ***Government-Wide Financial Statements***

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

The Statement of Net Position presents information on all of the City's assets, deferred outflow of resource, liabilities and deferred inflow of resources, the difference is reported as net position. The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2013 and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (effective for periods beginning after December 15, 2012) in 2014 to comply with the GASB pronouncement. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (i.e., accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave. A prior period restatement was made in the amount of \$5.4 million, which reduced the prior year net position as a result of the implementation of the new GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (effective for periods beginning after December 15, 2012) standard.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, public works, land use regulation and development review and inspection, libraries, parks and recreation programs, and general government services. The business-type activities of the City include the water utility, wastewater utility and stormwater utility, the central parking district, municipal golf courses, downtown marina and garden refuse.

This CAFR includes the Stockton Public Financing Authority financial activity of separate legal entity controlled by the City.

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

The basic governmental funds financial statements can be found on pages 27-31 of this report.

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

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

- **Internal service funds** are used to report activities that provide goods and services for certain City insurance, pension and other related programs and activities. The City uses internal service funds to account for its self-insurance programs, pension obligations, active and retired employee health benefit insurance, fleet of vehicles, information technology systems, and radio and other equipment. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund information for the internal service funds is provided in the form of combining statements in the later sections in this report. This represents GAAP for reporting these funds. However, this disclosure does not provide detailed information about the relative shares of accrued and actuarial liabilities for business type and government type funds and activities. In normal operations this distinction does not have material implications for the reader. However, in bankruptcy, the relative share of costs and accrued or actuarial liabilities in solvent and insolvent funds and legal limits on the use of resources for specific purposes becomes important in restructuring obligations, like Pension Obligation Bonds (POB). The City of Stockton's proposed Plan of Adjustment and negotiations with creditors reflects, where feasible, proportional, allowed uses of the resources of solvent funds to restructure citywide obligations.

The basic proprietary fund financial statements can be found on pages 32-40 of this report.

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

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

The basic fiduciary funds financial statement can be found on pages 41-42 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 43-130 of this report.

**Other information**

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

Required supplementary information can be found on pages 131-138 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, 2014, the City’s total assets and deferred outflows of resources exceeded its liabilities by \$1.3 billion. This was an increase of \$8.1 million or 0.65% from the prior fiscal year, and included a decrease in prior period adjustment of net position of \$5.4 million (\$2.1 million in the City’s governmental activities and \$3.3 million in the City’s business-type activities) due to a change in accounting principle.

The following is the condensed statement of net position for the fiscal years ended June 30, 2014 and 2013.

**City of Stockton's Net Position**  
*(amounts in thousands)*

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>						
Current and other assets	\$ 458,769	\$ 428,623	\$ 146,477	\$ 144,234	\$ 605,246	\$ 572,857
Capital assets	808,306	816,273	762,324	770,116	1,570,630	1,586,389
Total assets	1,267,075	1,244,896	908,801	914,350	2,175,876	2,159,246
<b>Deferred Outflow of Resources:</b>						
Unamortized loss on refunding of debt	547	-	2,461	-	3,008	-
<b>Liabilities:</b>						
Current and other liabilities	51,162	47,936	16,672	16,122	67,834	64,058
Long-term obligations	344,466	334,309	383,991	384,378	728,457	718,687
Net OPEB obligations	123,658	125,671	-	-	123,658	125,671
Total liabilities	519,286	507,916	400,663	400,500	919,949	908,416
<b>Net position:</b>						
Net investment in capital assets	714,595	725,427	413,783	418,881	1,128,378	1,144,308
Restricted	96,596	93,905	54,175	56,589	150,771	150,494
Unrestricted (deficit)	(62,855)	(82,352)	42,641	38,380	(20,214)	(43,972)
Total net position	\$ 748,336	\$ 736,980	\$ 510,599	\$ 513,850	\$ 1,258,935	\$ 1,250,830

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

- The investment in capital assets (e.g. infrastructure, land, buildings, improvements other than buildings, construction in progress, and equipment), less any related debt used to acquire assets still outstanding, represents the largest portion of the City's net position of \$1.1 billion or 89.6%. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because, generally, proceeds from sale of capital assets are not used to liquidate these liabilities.
- External restrictions represent \$150.8 million or 12.0% of net position and are subject to various external restrictions on how they may be used. Net position classified for capital assets and restricted assets amount to more than 100% of the net position, reflecting the fact that, in aggregate, the City's resources are entirely committed in illiquid capital assets or are restricted in their uses.
- The remaining net position is a deficit of \$20.2 million in unrestricted net position for the City of which governmental activities were \$62.9 million deficit and business-type activities were \$42.6 million positive. A deficit in the unrestricted net position is an indicator of the fact that despite operating and debt service reduction of approximately \$140 million, the City remained in a dire financial situation as of June 30, 2014. Under bankruptcy and the City's pendency plan, the budget has improved by \$23.7 million.
- GAAP currently requires disclosure of, but does not require the City to record its unfunded actuarial liabilities as liabilities in the City's financial statements. The difference between the actuarially required contributions and contributions made for other post-employment benefits since the implementation of GASB Statement 45 is \$123.7 million in fiscal year 2014. In addition, the actuarial liability for self-insurance claims is recorded based on a 70% confidence level, consistent with prior years. As described in footnotes 11 and 13, the balance of City's unfunded actuarial liabilities for its pension plan and its retiree health benefit plan, respectively total \$377.9 million and are not recorded as liabilities in the City's Statement of Net Position but are disclosed consistent with GAAP.

Information about changes in net position for fiscal years 2013-14 and 2012-13 is summarized below. Reasons for the changes are discussed in the following sections for governmental activities and business-type activities.

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

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

	Governmental		Business-type		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 47,072	\$ 49,509	\$ 108,131	\$ 102,939	\$ 155,203	\$ 152,448
Operating grants and contributions	18,840	23,827	3,865	4,175	22,705	28,002
Capital grants and contributions	36,052	57,146	1,112	4,700	37,164	61,846
General revenues:						
Property taxes	28,014	29,420	-	-	28,014	29,420
In lieu of sales tax	9,706	9,938	-	-	9,706	9,938
Utility user taxes	32,369	31,941	-	-	32,369	31,941
Sales and use taxes (City levied)	15,536	9,086	-	-	15,536	9,086
Franchise taxes	11,981	11,677	-	-	11,981	11,677
Business licenses	10,392	10,153	-	-	10,392	10,153
Hotel/motel room taxes	2,080	2,005	-	-	2,080	2,005
Document transfer taxes	564	458	-	-	564	458
Other taxes	728	287	1,167	1,197	1,895	1,484
Motor vehicle fees in lieu	18,069	17,433	-	-	18,069	17,433
Sales and use taxes (State levied)	35,111	34,031	-	-	35,111	34,031
Other shared revenue	253	400	-	-	253	400
Investment earnings	1,128	123	1,448	530	2,576	653
Miscellaneous	3,044	2,411	430	13	3,474	2,424
Loss on sale of capital assets	(3,712)	(1)	-	-	(3,712)	(1)
Total revenues	267,227	289,844	116,153	113,554	383,380	403,398
<b>Expenses</b>						
General government	34,594	24,909	-	-	34,594	24,909
Public safety	124,806	108,931	-	-	124,806	108,931
Public works	51,942	49,259	-	-	51,942	49,259
Library	9,807	8,445	-	-	9,807	8,445
Parks and recreation	19,456	19,736	-	-	19,456	19,736
Interest and fiscal charges	14,486	14,615	-	-	14,486	14,615
Water utility	-	-	44,720	48,570	44,720	48,570
Wastewater utility	-	-	55,724	51,166	55,724	51,166
Stormwater utility	-	-	5,758	5,959	5,758	5,959
Central parking district	-	-	5,120	4,944	5,120	4,944
Other	-	-	3,448	2,939	3,448	2,939
Total expenses	255,091	225,895	114,770	113,578	369,861	339,473
Increase/(decrease) in net position before transfers	12,136	63,949	1,383	(24)	13,519	63,925
Transfers	1,330	524	(1,330)	(524)	-	-
Extraordinary gain	-	-	-	-	-	-
Change in net position	13,466	64,473	53	(548)	13,519	63,925
Net position, beginning, original	736,980	672,507	513,850	514,398	1,250,830	1,186,905
Prior period adjustment	(2,110)	-	(3,304)	-	(5,414)	-
Net position, beginning, as restated	734,870	672,507	510,546	514,398	1,245,416	1,186,905
Net position, end of year	\$ 748,336	\$ 736,980	\$ 510,599	\$ 513,850	\$ 1,258,935	\$ 1,250,830

**Governmental activities** net position increased by \$11.4 million. The current year change decreased from \$64.5 million to \$13.5 million compared to prior year. The following discusses significant variances in key revenues and expenses from the prior fiscal year:

- Total governmental activities revenues decreased by \$22.6 million or 7.8% compared to prior fiscal year, mostly attributable decreases in program revenues of \$26.1 million on public works construction projects grant; property taxes of \$1.4 million due to decrease in AB2557 charges, \$2.4 million in charges for services is offset by \$1.0 million increase in secured property taxes; and loss on sale of capital assets of \$3.7 million primarily due to the exchange of city assets to settle the Marina Towers long-term debt obligation. These decreases are offset by increased City levied sales tax of \$6.5 million due to new  $\frac{3}{4}$  sales tax measure passed by voters.
- Total governmental activities expenses increased by \$29.2 million or 12.9% primarily due to increase in public safety of \$15.9 million, general government or City administration of \$9.7 million, public works increase of \$2.7 million, and library of \$1.4 million is offset by decreases in parks and recreation of \$0.3 million and interest and fiscal charges of \$0.1 million. The primary reason for the change are increases in criminal fines, fire miscellaneous permits, public safety area fee, construction permits and building plan check fee, and public facilities traffic signal fees.

**Business-type activities** net position decreased by \$3.2 million. The current year change of positive \$53,000 is an improvement from prior year change of negative \$0.1 million. The following discusses significant variances in key revenues and expenses from the prior fiscal year:

- Program revenues are increased by \$1.3 million or 1.2% from prior year, primarily due to the fourth year 9% five year tiered rate increase in wastewater user's fee. The increase in charges for services of \$5.2 million is offset by decrease in operating and capital grants and contribution of \$3.9 million due to the completion of the Delta Water Supply Project (DWSP) and related Prop 84 grant, and the decrease in capital contributions in the water utilities due to the California drought conditions leading to a decreased water consumption from which the fee is based.
- Overall business-type activity expenses increased by \$1.2 million or 1.0% as compared to the prior fiscal year. Of this amount, an increase of \$4.6 million in wastewater utilities is due to increase in capital maintenance and infrastructure replacement which has been deferred for several years. The increases are offset by a \$3.4 million decrease in water utilities, stormwater, central parking and other non-major enterprise funds. Most of this change is a result of completing the final phase of Delta Water Supply Project (DWSP).

## ***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 27.

## *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, unrestricted fund balance may serve as a useful measure of a government's net spendable resources.

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

Absent a plan to address the growing deficits in the insurance/benefit-related funds, the unfunded liabilities will continue to accrue to the City. In addition, readers should be aware that with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* in FY 2014-15 additional and significant long-term liabilities will begin to be reported in these financial statements. With already depleted reserves and deficits in unrestricted net position in governmental activities of \$62.9 million, the capacity to absorb these obligations will need to be addressed.

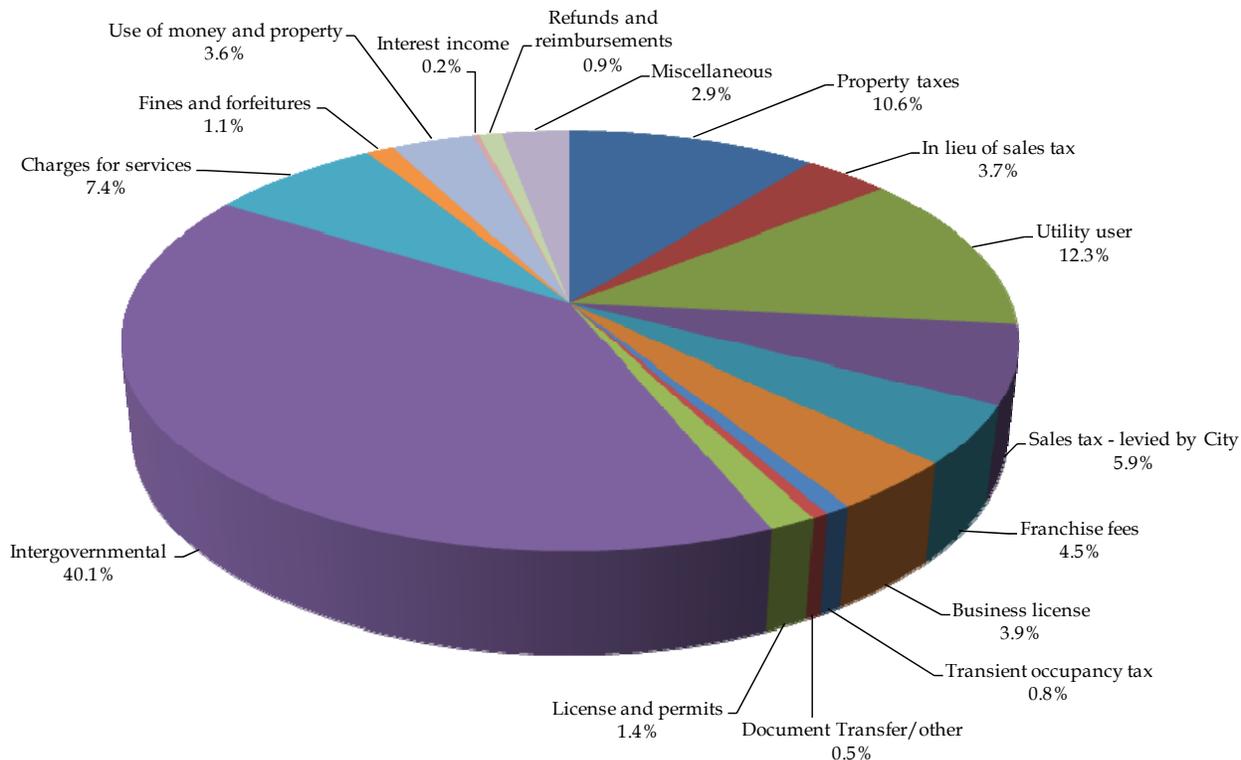
As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$112.1 million, or an increase of \$18.3 million compared to the prior fiscal year. Of the total governmental fund balances, \$0.9 million is nonspendable, \$85.0 million is restricted, \$34.0 million is committed, \$3.1 million is assigned resulting in overall deficit unassigned fund balance of \$10.9 million. The deficit is primarily a result of the Howard-Jarvis Settlement payable of \$19.2 million from general fund debt service to water and wastewater funds. This liability is impaired under the Plan of Adjustment and until confirmed by the United States Bankruptcy Court, the amount remains outstanding under accounting standards.

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

**Revenue Classified by Source**  
 Governmental Funds  
 (amounts in thousands)

Revenue by Source	FY 2013-14		FY 2012-13		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Property taxes	\$ 28,014	10.6%	\$ 29,420	10.4%	\$ (1,406)	-4.8%
In lieu of sales tax	9,706	3.7%	9,937	3.5%	(231)	-2.3%
Utility user	32,369	12.3%	31,941	11.3%	428	1.3%
Sales tax - levied by City	15,536	5.9%	9,086	3.2%	6,450	71.0%
Franchise fees	11,981	4.5%	11,677	4.1%	304	2.6%
Business license	10,392	3.9%	10,153	3.6%	239	2.4%
Transient occupancy tax	2,080	0.8%	2,006	0.7%	74	3.7%
Document Transfer/other	1,293	0.5%	746	0.3%	547	73.3%
License and permits	3,808	1.4%	3,696	1.3%	112	3.0%
Intergovernmental	105,515	40.1%	128,936	45.8%	(23,421)	-18.2%
Charges for services	19,410	7.4%	19,059	6.8%	351	1.8%
Fines and forfeitures	2,925	1.1%	2,419	0.9%	506	20.9%
Use of money and property	9,536	3.6%	13,767	4.9%	(4,231)	-30.7%
Interest income	650	0.2%	119	0.0%	531	446.2%
Refunds and reimbursements	2,401	0.9%	1,814	0.6%	587	32.4%
Miscellaneous	7,707	2.9%	6,942	2.5%	765	11.0%
<b>Total</b>	<b>\$ 263,323</b>	<b>100.0%</b>	<b>\$ 281,718</b>	<b>100.0%</b>	<b>\$ (18,395)</b>	<b>-6.5%</b>

**Revenue by Source**  
**Governmental Funds**  
**Fiscal Year 2013-14**



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

- Sales tax levied by the City increased by \$6.5 million or 71.0% compared to prior fiscal year. The increase is due primarily to a new  $\frac{3}{4}$  sales tax measure, *Measure A*, revenues passed by voters on November 5, 2013 which took into effect on April 1, 2014. The City may legally use the *Measure A* tax funds for service restoration, to increase law enforcement by hiring additional police officers, increase crime prevention services, such as those described in Stockton’s Marshall Plan on Crime, replenish reserves to prepare for uncertainties, restore funds for technology and equipment replacement, fund our bankruptcy exit plan, and any other legal purpose.
- Property taxes decreased by \$1.4 million or 4.8% compared to prior fiscal year. Property taxes have declined significantly since fiscal year 2007-08 due to declining residential home values and foreclosures in the Central Valley, resulting in a devaluation of the City’s assessed valuation performed by San Joaquin County. Since fiscal year 2007-08 the assessed values in the City have declined from over \$19.3 billion prior to the Great Recession to as low as \$15.6 billion in fiscal year 2011-12, a drop of 19.3%. In fiscal year 2013-14, property taxes are experiencing some modest increase in assessed valuation which is attributed to the strengthening of the housing market and recapture of reduction in the property assessment.

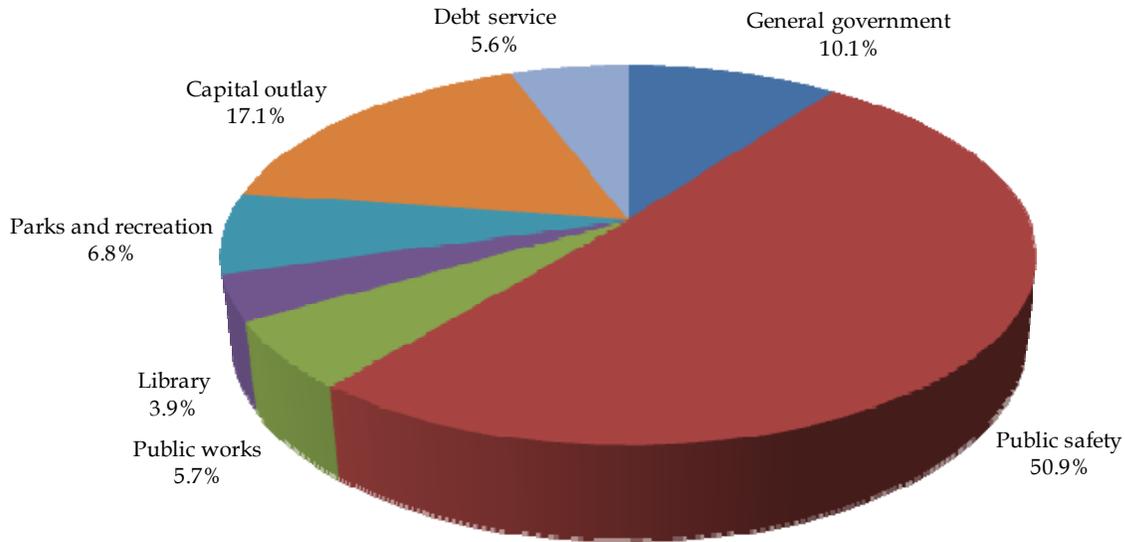
- Intergovernmental revenues decreased by \$23.4 million or 18.2% compared to prior fiscal year mainly due to the decrease in multi-year grant revenues for Capital Improvement Projects of \$9.8 million; Measure K program of \$13.7 million and this decreases are offset by increases in General Fund and Home of \$178,000.

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

**Expenditures By Function**  
Governmental Funds  
(amounts in thousands)

Expenditures by Function	FY 2013-14		FY 2012-13		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	25,510	10.1%	23,245	8.4%	2,265	9.7%
Public safety	129,030	50.9%	125,331	45.3%	3,699	3.0%
Public works	14,458	5.7%	13,498	4.9%	960	7.1%
Library	9,793	3.9%	9,039	3.3%	754	8.3%
Parks and recreation	17,202	6.8%	17,733	6.4%	(531)	-3.0%
Capital outlay	43,273	17.1%	72,568	26.3%	(29,295)	-40.4%
Debt service	14,250	5.6%	14,971	5.4%	(721)	-4.8%
<b>Total</b>	<b>\$ 253,516</b>	<b>100.0%</b>	<b>\$ 276,385</b>	<b>100.0%</b>	<b>\$ (22,869)</b>	<b>-8.3%</b>

**Expenditures by Function**  
 Governmental Funds  
 Fiscal Year 2013-14

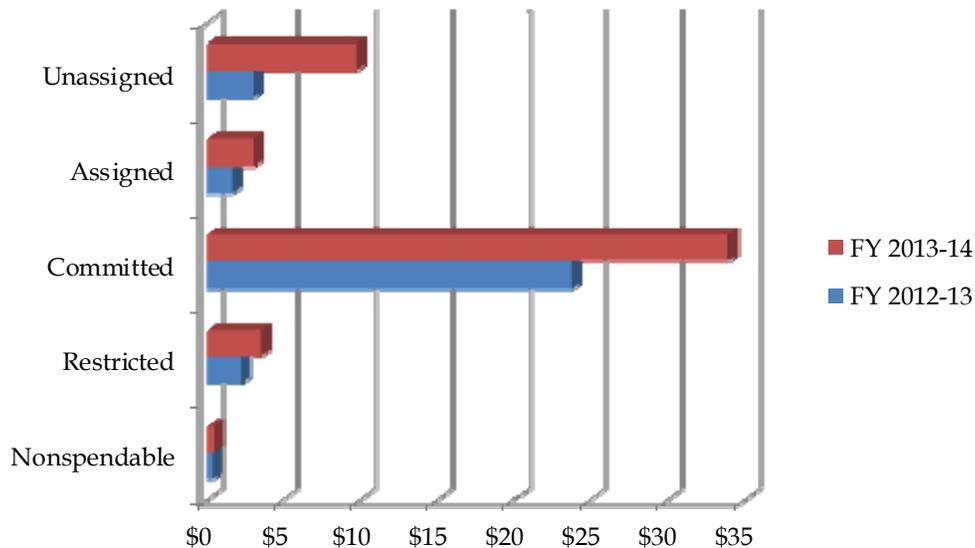


The following provides an explanation of the expenditures by function that changed significantly over the prior fiscal year.

- Capital outlay expenditures decreased significantly from prior fiscal year by \$29.3 million or 40.4% primarily due to the completion of capital improvement projects namely Arch Road/Sperry Road roadway extension, Lower Sacramento Road widening, Eight Mile Road east and west separation, El Dorado Street widening and street overlay, all totaling to \$26.1 million, and Home loan program of \$2.2 million.
- Public safety expenditures increased by \$3.7 million or 3.0% from prior fiscal year due to the hiring of additional patrol officers and increases in the fleet internal service fund contribution rate cost recovery.
- General government expenditures increased by \$2.3 million or 9.7% from prior fiscal year as a result of increased audit and bankruptcy costs, and filling vacant positions in administration.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the spendable, unrestricted fund balance and total fund balance to total fund expenditures. At the end of the fiscal year 2013-14, unassigned fund balance of the general fund was \$9.8 million, while total fund balance increased by \$19.5 million to \$50.9 million. As a measure of general fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 6.1% of total general fund expenditures of \$159.2 million, while total fund balance represents 32.0% of the same amount.

**General Fund  
Fund Balance  
(In Millions)**



The general fund revenues were \$182.0 million in the fiscal year 2013-14, increase of \$8.3 million from the prior fiscal year. Significant increases were the result of the voter approved new  $\frac{3}{4}$  cents sales tax measure, which raised revenues by \$6.5 million. Intergovernmental revenues increased by \$1.6 million, and business license revenues by \$0.2 million.

The general fund expenditures were \$159.2 million, an increase of \$4.5 million from the prior fiscal year. The major reasons for the increase were the professional services utilized for bankruptcy proceedings, increased internal service fund contribution rates, and filling of vacancies.

*Proprietary Funds*

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net position of proprietary funds is as follows: \$38.6 million for the wastewater utility, \$5.3 million for the stormwater utility, \$0.2 million for the Central Parking district and a deficit \$1.1 million for the water utility and nonmajor enterprise funds. Total net position of the enterprise funds increased by \$53,000, key factors resulting in this increase are as follows:

- The wastewater utility total net position increased by \$4.4 million from prior year. Of this amount, unrestricted net position increased by \$10.6 million due to the 9% voter approved rate increase, offset by a decrease in net investment in capital assets of \$4.8 million due to disposals or sale of assets and a decrease in restricted capital projects by \$1.4 million.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's Fiscal Year 2013-14 General Fund Adopted Budget was a Pendency Plan under protection of Chapter 9 of the federal bankruptcy code. This budget was balanced by

suspending payments to creditors and retirees in the amount of \$22 million for the fiscal year. This analysis should be read in conjunction with the General Fund Budgetary Information on page 133.

The General Fund's original budgeted revenue and transfers in were \$171.9 million. These revenues were amended during the year to include \$6.8 million in new revenue generated from Measure A and, although property tax are down overall, to reflect improved supplemental property tax revenue of \$1 million. All other revenue adjustments for the City's General Fund are minor. The revised budgeted revenues and transfers in for FY 2013-14 are \$179.7million.

The General Fund's original budgeted expenditures and transfers out were \$178.7 million. The Capital Outlay budget increased \$2.5 million with the re-appropriation of prior fiscal year unexpended appropriations per City Charter provisions. The original budget was also increased by encumbrances not fully expended in the prior fiscal year of \$1.9 million. Amendments to expenditure budgets made during the year included Marshall Plan safety positions, supplies, equipment and supports costs made possible by Measure A general sales tax of \$1.1 million, Bankruptcy legal fees and project management of \$1.8 million, and other minor adjustments approved by City Council. After these amendments, the approved budgeted expenditures and transfers out for FY 2013-14 were revised to \$186.3 million.

Actual FY 2013-14 General Fund revenues and transfers in were higher than the approved budget by \$3.4 million or 1.9%. About half of this variance is the result of higher than budgeted revenues in Property Tax of \$1.1 million and Code Enforcement proceeds of \$0.8 million. The remaining variance is the offsetting results of over and under collections across the remaining accounts in the General Fund.

Actual expenditures and transfers out were lower than the approved budget appropriations by \$22.6 million or 12.2%. The savings were attributable to a number of conditions including the bankruptcy environment and pending plan of adjustment. By far, the largest portion of savings, \$6.5 million, is the result of vacant positions throughout the City, primarily in the police and fire departments, due to the stress placed on the organization by the continued budget reductions, salary and benefit reductions and the uncertainty of the long bankruptcy process. Additional savings of \$2.7 million in labor relations and legal service reflect the slower than anticipated progress of labor negotiations. Funding for bankruptcy settlements of \$3.4 million were included in the fiscal year 2013-14 budget but remained unspent, pending approval of the City's plan of adjustment. Capital Outlay spending was less than approved appropriations by \$2.1 million due to the timing of expenditures in library capital projects of \$1.7 million and \$300,000 for purchase of vehicles. Finally, the City has been prudent in its allocation of budgeted contingencies, leaving \$2 million unspent in this category during FY 2013-14.

The City's General Fund balance at June 30, 2014 is \$47.9 million on a budgetary basis, which is an increase of \$16.6 million from the prior year. The intentional rebuilding of the fund balance is the result of multiple years of suspended payments to creditors and retirees, reductions to salaries and benefits, various department operating cuts, high levels of staff vacancies, and slow labor negotiations. Much of this fund balance is the result of vacancies, which are one-time savings and are not expected to continue once services are restored and 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.

## ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

### ***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$1.6 billion (net of accumulated depreciation). Net investment in capital assets includes infrastructure, land, buildings, 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%. The following are the significant changes in capital assets compared to prior fiscal year:

- Citywide construction in progress decreased by \$60.8 million, or 31.6%, from \$192.3 million as of June 30, 2013. The changes are mainly attributable to decreases in governmental activities of \$56.4 million or 32.8% as a result of completion of several large capital projects. Lower Sacramento Road widening; Eight Mile Road grade separation; Hammer Lane phase IIIA; and El Dorado Street widening Phase II and the Delta Water Supply project being placed into service.
- Infrastructure increased by \$57.5 million or 17.6%, all of which are related to governmental activities. The increase primarily offsets the reclassification of projects that were completed and placed in service as of June 30, 2014.
- Building and improvements decreased by \$11.1 million or 1.1%, of which governmental and business-type activities were \$7.4 million and \$3.7 million, respectively. The decrease is primarily related to the exchange of City assets to settle the Marina Towers long-term debt obligation, which is offset by current year depreciation and completed capital projects placed in service as of June 30, 2014.

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

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$41,786	\$45,344	\$15,627	\$15,607	\$57,413	\$60,951
Intangible Assets	4,355	4,310	750	750	5,105	\$5,060
Building and Improvements	245,206	252,624	726,897	730,567	972,103	983,191
Machinery and Equipment	17,069	15,127	3,137	2,920	20,206	18,047
Infrastructure	384,323	326,853	-	-	384,323	326,853
Construction in Progress	115,567	172,015	15,913	20,272	131,480	192,287
<b>Total</b>	<b>\$808,306</b>	<b>\$816,273</b>	<b>\$762,324</b>	<b>\$770,116</b>	<b>\$1,570,630</b>	<b>\$1,586,389</b>

Additional information on the City's capital assets can be found in Note 7 - Capital Assets of this report.

***Bond Indebtedness***

At the end of the fiscal year, the City's total outstanding net bonded debt is \$577.9 million. Of this amount, \$208.6 million (\$243.5 million including amounts owed to bond insurers) is related to governmental activities and \$369.3 million (\$372.0 million including amounts owed to bond insurers) are debt obligations of business-type activities.

Governmental activities bonded indebtedness, as restated, decreased by \$8.1 million due to scheduled principal payments and amortization of bond premium insurance and discount. Additions were a result of proceeds and related accrued interest from bond insurers of \$17.9 million for payments made on debt obligations in default.

Business-type activities bonded indebtedness, as restated, decreased by \$7.6 million due to scheduled principal payments and amortization of bond premium insurance and discount. Additions were a result of proceeds and related accrued interest from bond insurers of \$2.1 million for payments made on debt obligations in default. The 2010 A Remarketing from variable rate to fixed rate resulted in additional bonded debt of \$2.5 million related to premiums.

Governmental outstanding net bonded debt of \$208.6 million includes \$11.2 million (\$11.3 million if including amounts owed to bond insurer) of lease revenue bonds for the City's

Stewart/Eberhardt Building (SEB), \$34.4 million in lease revenue bonds for various capital projects facilities expended from the Public Facility Impact Fees Fund, \$28.9 million (\$46.6 million if including amounts owed to bond insurer) of Series A (tax exempt) and B (taxable) Variable Rate Demand Lease Revenue Bonds for the acquisition of an office building and parking garage in downtown Stockton planned to be the new City administration building (400 East Main), \$12.3 million of certificates of participation for various former redevelopment housing projects, and \$121.8 million (\$138.9 million if including amounts owed to bond insurer) of pension obligation bonds.

Business-type activities outstanding net bonded debt obligations of \$369.3 million includes \$257.6 million of revenue bonds of the Water Utility, \$80.9 million in certificates of participation for the Wastewater Utility, and \$30.8 million (\$33.5 million including amounts owed to bond insurer) in lease revenue bonds in the Central Parking District.

Successor Agency bonded debt in the amount of \$122.1 million is reported separately in a Private Purpose Trust Fund. The balance outstanding at June 30, 2014 includes \$45.7 million of revenue bonds for the Stockton Events Center-Arena and \$76.4 million of revenue bonds for various former redevelopment and housing projects referred to as the Strong Neighborhoods Initiative (SNI).

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

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

As the local economy continues to slowly recover, the City of Stockton is planning to utilize improved revenues, primarily from property tax and sales tax, maintain essential services, rebuild reserves and implement modified creditor agreements through its 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.

Next year's budget continues the City's pendency plan while under protection of bankruptcy and suspends an additional \$24.5 million of creditor payments. The Fiscal Year 2014-15 Annual Budget for the General Fund was developed with an emphasis on the City's newly revised priorities, strategic goals and targeted areas; Public Safety, Fiscal Sustainability, Organizational Development, Economic Development, Youth, Infrastructure, and Public Relations/Image. Significant changes in the City's General Fund Fiscal Year 2014-15 Annual Budget are as follows.

- Sales Tax revenues from Measure A are budgeted at \$27.9 million reflecting the first full year tax proceeds from this measure (increase from prior year by \$21.1 million). In addition, other sales tax is increased by \$1.3 million or 3.1% reflecting high statewide growth in auto/transportation, building/construction and restaurants/hotels.
- Property tax revenues are budgeted at \$26.9 million or 5.1% higher than prior year due primarily to increasing property assessed values.

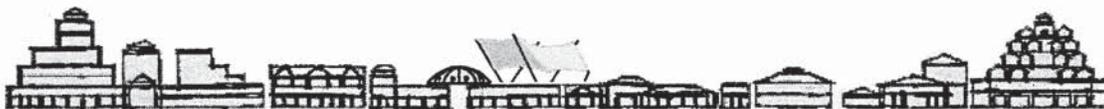
- Expenditure appropriations for Marshall Plan safety officers and support, supplies and equipment have increased by \$8.0 million reflecting the first full year of a multi-year implementation plan, utilizing Measure A proceeds, designed to reduce crime and improve safety services to the citizens of Stockton.

### *Requests for Information*

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



CITY OF STOCKTON

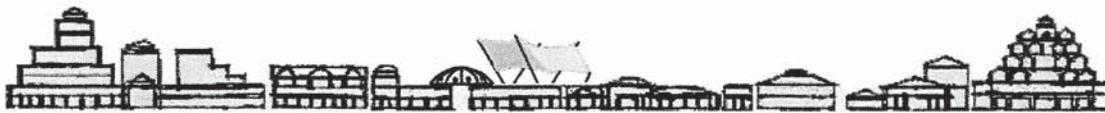


**BASIC FINANCIAL STATEMENTS**





CITY OF STOCKTON



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF STOCKTON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 165,837,252	\$ 76,511,354	\$ 242,348,606
Restricted cash and investments	3,050,810	54,174,944	57,225,754
Interest receivable	696,587	10,057	706,644
Accounts receivable, net	18,637,362	12,864,002	31,501,364
Internal balances	1,533,572	(1,533,572)	-
Due from other governments, net	33,679,947	1,937,203	35,617,150
Inventory of supplies	401,874	1,616,614	2,018,488
Other assets	2,603,653	896,679	3,500,332
Loans to Successor Agency, net	2,495,332	-	2,495,332
Loans to property owners, net	121,562,696	-	121,562,696
Prepaid items	457,034	-	457,034
Net pension asset	107,812,401	-	107,812,401
Capital assets:			
Nondepreciable	161,707,507	32,290,577	193,998,084
Depreciable, net	646,598,778	730,033,398	1,376,632,176
Total assets	<u>1,267,074,805</u>	<u>908,801,256</u>	<u>2,175,876,061</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding of debt	547,308	2,460,596	3,007,904
Total deferred outflows of resources	<u>547,308</u>	<u>2,460,596</u>	<u>3,007,904</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	14,820,988	7,412,189	22,233,177
Accrued payroll and benefits	3,177,261	-	3,177,261
Accrued interest	6,412,489	7,663,014	14,075,503
Deposits and other liabilities	4,237,622	1,597,380	5,835,002
Unearned revenue	3,290,015	-	3,290,015
Settlement payable	19,224,239	-	19,224,239
Long-term liabilities:			
Due within one year	64,197,694	12,082,856	76,280,550
Due in more than one year	280,268,717	371,907,711	652,176,428
Net OPEB obligation	123,657,524	-	123,657,524
Total liabilities	<u>519,286,549</u>	<u>400,663,150</u>	<u>919,949,699</u>
<b>NET POSITION</b>			
Net investment in capital assets	714,594,763	413,783,171	1,128,377,934
Restricted for:			
Capital projects	40,808,802	45,865,390	86,674,192
Debt service	2,557,902	8,309,554	10,867,456
Loan programs	6,452,314	-	6,452,314
Low and moderate-income housing	3,130,808	-	3,130,808
Public safety	3,162,268	-	3,162,268
Street improvements	8,508,990	-	8,508,990
Special assessment districts	13,407,260	-	13,407,260
Fleet and equipment replacement	16,107,140	-	16,107,140
Endowments and Bequests:			
Nonexpendable	389,889	-	389,889
Expendable	13,217	-	13,217
Other purposes	2,057,417	-	2,057,417
Unrestricted (deficit)	(62,855,206)	42,640,587	(20,214,619)
Total net position	<u>\$ 748,335,564</u>	<u>\$ 510,598,702</u>	<u>\$ 1,258,934,266</u>

**CITY OF STOCKTON**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government	\$ 34,593,919	\$ 14,785,394	\$ 2,355,419	\$ -
Public safety	124,805,625	21,015,853	4,421,117	827,144
Public works	51,942,024	5,177,722	6,476,950	35,224,795
Library	9,807,077	436,935	5,578,503	-
Parks and recreation	19,455,773	5,655,597	7,747	-
Interest and fiscal charges	14,486,596	-	-	-
Total governmental activities	255,091,014	47,071,501	18,839,736	36,051,939
Business-type activities:				
Water utility	44,720,208	37,854,731	3,864,991	250,138
Wastewater utility	55,723,559	59,953,318	-	824,577
Stormwater utility	5,758,156	5,571,149	-	37,220
Central parking district	5,120,118	2,881,638	-	-
Other	3,447,780	1,869,686	-	-
Total business-type activities	114,769,821	108,130,522	3,864,991	1,111,935
Total	\$ 369,860,835	\$ 155,202,023	\$ 22,704,727	\$ 37,163,874
General revenues:				
Taxes:				
Property				
In lieu of sales tax				
Utility user				
Sales - levied by City				
Franchise fees				
Business license				
Hotel/motel room				
Document transfer				
Other				
Shared revenue:				
Vehicle license fees				
Sales and use tax levied by state				
Other				
Investment earnings				
Miscellaneous				
Loss from disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net assets, beginning of year, as originally reported				
Prior period restatement (Note 19)				
Net position, beginning of year, as restated				
Net position, end of year				

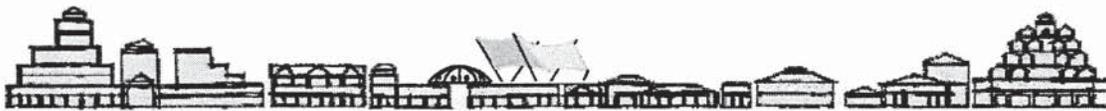
Net (Expense) Revenue and  
Change in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (17,453,106)		\$ (17,453,106)
(98,541,511)		(98,541,511)
(5,062,557)		(5,062,557)
(3,791,639)		(3,791,639)
(13,792,429)		(13,792,429)
(14,486,596)		(14,486,596)
<u>(153,127,838)</u>		<u>(153,127,838)</u>
	\$ (2,750,348)	(2,750,348)
	5,054,336	5,054,336
	(149,787)	(149,787)
	(2,238,480)	(2,238,480)
	<u>(1,578,094)</u>	<u>(1,578,094)</u>
	(1,662,373)	(1,662,373)
<u>(153,127,838)</u>	<u>(1,662,373)</u>	<u>(154,790,211)</u>
28,014,399	-	28,014,399
9,706,219	-	9,706,219
32,369,396	-	32,369,396
15,535,619	-	15,535,619
11,981,115	-	11,981,115
10,392,209	-	10,392,209
2,080,065	-	2,080,065
564,364	-	564,364
728,180	1,166,759	1,894,939
18,069,224	-	18,069,224
35,111,179	-	35,111,179
252,869	-	252,869
1,127,980	1,447,899	2,575,879
3,042,302	430,929	3,473,231
(3,712,143)	-	(3,712,143)
1,330,294	(1,330,294)	-
<u>166,593,271</u>	<u>1,715,293</u>	<u>168,308,564</u>
<u>13,465,433</u>	<u>52,920</u>	<u>13,518,353</u>
736,980,067	513,850,024	1,250,830,091
<u>(2,109,936)</u>	<u>(3,304,242)</u>	<u>(5,414,178)</u>
<u>734,870,131</u>	<u>510,545,782</u>	<u>1,245,415,913</u>
<u>\$ 748,335,564</u>	<u>\$ 510,598,702</u>	<u>\$ 1,258,934,266</u>





CITY OF STOCKTON



**FUND FINANCIAL STATEMENTS**



## 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.

## **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.

### ***Central Parking District 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.

## **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**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	Major Funds			
	General Fund	Special Revenue		Capital Projects
		Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
<b>ASSETS</b>				
Cash and investments	\$ 42,582,296	\$ -	\$ 135,476	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	695,416	-	-	-
Accounts and other receivables	16,145,410	4,203	-	9,416
Advance deposits	-	-	-	1,500
Due from other funds	-	-	-	-
Due from other governments, net	11,584,989	850,579	-	10,477,367
Inventory of supplies	401,874	-	-	-
Prepaid items	98,036	-	-	-
Loans to other funds, net	-	-	-	-
Loans to Successor Agency	-	-	2,995,332	-
Loans to property owners, net	-	37,857,032	53,279,565	-
<b>Total assets</b>	<b>\$ 71,508,021</b>	<b>\$ 38,711,814</b>	<b>\$ 56,410,373</b>	<b>\$ 10,488,283</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 5,835,511	\$ 485,953	\$ -	\$ 4,691,342
Accrued payroll and benefits	3,177,261	-	-	-
Due to other funds	-	368,829	-	2,301,334
Due to other governments	851,480	-	-	430,085
Due to other agencies	316,065	-	-	-
Deposits and other liabilities	2,257,380	-	-	-
Unearned revenue	6,722,808	-	-	188,806
Settlement payable	-	-	-	-
<b>Total liabilities</b>	<b>19,160,505</b>	<b>854,782</b>	<b>-</b>	<b>7,611,567</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - Loans to property owners	-	37,857,032	53,279,565	-
Unavailable revenue - Other	1,478,446	-	-	7,916
<b>Total deferred inflows of resources</b>	<b>1,478,446</b>	<b>37,857,032</b>	<b>53,279,565</b>	<b>7,916</b>
<b>FUND BALANCES (DEFICIT):</b>				
Nonspendable	499,910	-	-	-
Restricted	3,550,766	-	3,130,808	2,868,800
Committed	34,008,676	-	-	-
Assigned	3,058,719	-	-	-
Unassigned (deficit)	9,750,999	-	-	-
<b>Total fund balances</b>	<b>50,869,070</b>	<b>-</b>	<b>3,130,808</b>	<b>2,868,800</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 71,508,021</b>	<b>\$ 38,711,814</b>	<b>\$ 56,410,373</b>	<b>\$ 10,488,283</b>

Other Governmental	Total Governmental Funds
\$ 63,961,449	\$ 106,679,221
3,050,810	3,050,810
1,171	696,587
829,822	16,988,851
-	1,500
-	-
10,767,012	33,679,947
-	401,874
316,952	414,988
1,034,295	1,034,295
-	2,995,332
30,426,099	121,562,696
<u>\$ 110,387,610</u>	<u>\$ 287,506,101</u>

\$ 2,671,307	\$ 13,684,113
-	3,177,261
15,592	2,685,755
9,274	1,290,839
-	316,065
324,234	2,581,614
1,683,858	8,595,472
19,224,239	19,224,239
<u>23,928,504</u>	<u>51,555,358</u>

30,426,099	121,562,696
823,732	2,310,094
<u>31,249,831</u>	<u>123,872,790</u>

442,994	942,904
75,435,565	84,985,939
-	34,008,676
-	3,058,719
(20,669,284)	(10,918,285)
<u>55,209,275</u>	<u>112,077,953</u>

<u>\$ 110,387,610</u>	<u>\$ 287,506,101</u>
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**CITY OF STOCKTON**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**Total Fund Balances - Total Governmental Funds** \$ 112,077,953

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	161,707,507
Depreciable (net of accumulated depreciation, and net capital assets reported in the Internal Service Funds)	632,671,824

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

457,034

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 statement of net position:

Cash and investments	59,158,031
Accounts and other receivables	1,648,511
Due from other governments	2,685,755
Prepaid items	916,497
Deposits	1,270,668
Advances to other funds	499,277
Pension asset	107,812,401
Net capital assets (Depreciable, net)	13,926,954
Accounts payable	(1,136,875)
Deposits and other liabilities	(49,104)
Loans from SSA	(500,000)
Accrued interest	(2,281,864)
Compensated absences - current	(522,482)
Self-insurance claims and judgments - current	(12,233,040)
Capital lease obligations - current	(539,691)
Other long-term debt - current	(18,950,520)
Compensated absences - long-term	(211,596)
Self-insurance claims and judgments - long-term	(56,679,399)
Capital lease obligations	(1,885,259)
Bonds payable and other long-term debt	(119,970,000)
Net OPEB obligation	(123,657,524)

Various long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:

Compensated absences	(9,856,938)
Bonds payable and other long-term debt	(124,331,445)
Unamortized bond discount	713,959
Deferred amount on refunding	547,308
Accrued interest payable net of Internal Service Funds.	(4,130,625)

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	121,562,696
Unavailable revenue - Others	7,615,551

**Net position of governmental activities** \$ 748,335,564

**CITY OF STOCKTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Major Funds			Major Fund
	General Fund	Special Revenue		Capital Projects
		Home Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement
<b>REVENUES:</b>				
Taxes:				
Property	\$ 28,014,399	\$ -	\$ -	\$ -
In lieu of sales tax	9,706,219	-	-	-
Utility user	32,369,396	-	-	-
Sales - levied by City	6,573,956	-	-	-
Franchise fees	11,981,115	-	-	-
Business license	9,367,611	-	-	-
Hotel/motel room	2,080,065	-	-	-
Document transfer	564,364	-	-	-
Other	335,922	-	-	-
Licenses and permits	362,304	-	-	-
Intergovernmental:				
Federal grants and subsidies	117,010	1,937,566	-	11,769,913
Sales and use tax - levied by state	30,889,595	-	-	-
Other governmental	23,786,114	-	-	9,059,150
Charges for services	9,462,928	-	-	-
Fines and forfeitures	2,886,717	-	-	-
Use of money and property	6,404,590	250,856	75,357	7,364
Investment income:				
Interest income	52,119	1,684	6,316	7,098
Refunds and reimbursements	2,287,030	-	-	6,000
Miscellaneous	4,714,291	-	395,312	34,164
Total revenues	181,955,745	2,190,106	476,985	20,883,689
<b>EXPENDITURES:</b>				
Current:				
General government	16,925,308	-	-	-
Public safety	114,626,509	-	-	-
Public works	3,025,178	-	-	-
Library	9,626,924	-	-	-
Parks and recreation	14,615,517	-	-	-
Capital outlay	374,063	2,527,715	-	29,737,605
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	159,193,499	2,527,715	-	29,737,605
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	22,762,246	(337,609)	476,985	(8,853,916)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	200,003	-	-	-
Transfers in	1,010,207	-	-	9,484,826
Transfers out	(4,424,962)	-	(395,312)	(7,364)
Bond insurers proceeds	-	-	-	-
Total other financing sources (uses)	(3,214,752)	-	(395,312)	9,477,462
<b>CHANGE IN FUND BALANCES</b>	19,547,494	(337,609)	81,673	623,546
<b>FUND BALANCES, BEGINNING OF YEAR</b>	31,321,576	337,609	3,049,135	2,245,254
<b>FUND BALANCES, END OF YEAR</b>	\$ 50,869,070	\$ -	\$ 3,130,808	\$ 2,868,800

Other Governmental	Total Governmental Funds
\$ -	\$ 28,014,399
-	9,706,219
-	32,369,396
8,961,663	15,535,619
-	11,981,115
1,024,598	10,392,209
-	2,080,065
-	564,364
392,258	728,180
3,445,393	3,807,697
8,628,279	22,452,768
4,221,584	35,111,179
15,105,521	47,950,785
9,947,209	19,410,137
37,795	2,924,512
2,798,258	9,536,425
582,646	649,863
107,803	2,400,833
2,563,271	7,707,038
<u>57,816,278</u>	<u>263,322,803</u>
8,584,623	25,509,931
14,403,565	129,030,074
11,432,509	14,457,687
166,272	9,793,196
2,586,044	17,201,561
10,633,559	43,272,942
9,589,485	9,589,485
4,661,234	4,661,234
<u>62,057,291</u>	<u>253,516,110</u>
<u>(4,241,013)</u>	<u>9,806,693</u>
-	200,003
3,001,783	13,496,816
(8,203,573)	(13,031,211)
7,800,397	7,800,397
<u>2,598,607</u>	<u>8,466,005</u>
(1,642,406)	18,272,698
<u>56,851,681</u>	<u>93,805,255</u>
<u>\$ 55,209,275</u>	<u>\$ 112,077,953</u>



**CITY OF STOCKTON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE**  
**STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014**

**Net change in fund balances - total governmental funds:** \$ 18,272,698

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	29,320,293
Donated capital assets	78,917
Capital asset disposals, net	(12,100,768)
Depreciation expense (net of \$2,737,188 reported in Internal Service funds)	(21,841,996)
Loss from disposal of capital assets	(4,174,132)

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

Bond insurers proceeds - principal	(7,800,397)
Accrued interest on bond insurers proceeds	(978,917)
Reduction of state animal control obligation	187,386
Repayment of principal	9,589,485
Amortization of prepaid insurance related to costs of issuance	(18,695)

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. 1,558,925

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	520,084
Amortization of bond discounts and premiums and deferred amount on refunding	(62,197)
Change in accrued interest	(1,137,849)
Unavailable revenue - Loans to property owners	1,053,390
Unavailable revenue - Others	999,206

**Change in net position of governmental activities** \$ 13,465,433

**CITY OF STOCKTON**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Major Enterprise Funds		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 32,111,616	\$ 36,816,910	\$ 4,996,916
Receivables, net:			
Interest	10,045	10	-
Accounts and other receivables	6,023,565	6,159,762	576,025
Due from other funds	-	-	-
Due from other governments, net	1,937,203	-	-
Inventory of supplies	-	1,565,061	-
Deposits and advances	-	-	-
Prepaid insurance	139,087	246,463	209
Total current assets	<u>40,221,516</u>	<u>44,788,206</u>	<u>5,573,150</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	6,372,992	13,606,918	-
Cash and investments with fiscal agents	32,349,426	1,813,223	-
Loans to other funds, net	-	-	-
Loans receivable	-	-	-
Deferred charges	-	-	-
Net pension asset	-	-	-
Capital assets, net:			
Nondepreciable	16,932,924	6,780,916	388,752
Depreciable, net	327,056,149	303,338,920	48,646,619
Total noncurrent assets	<u>382,711,491</u>	<u>325,539,977</u>	<u>49,035,371</u>
Total assets	<u>422,933,007</u>	<u>370,328,183</u>	<u>54,608,521</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding of debt	148,561	2,312,035	-
Total deferred outflows of resources	<u>148,561</u>	<u>2,312,035</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,664,568	4,718,739	208,757
Due to other governments	556,665	-	-
Deposits and other liabilities	1,292,916	-	10,000
Accrued interest	4,348,653	1,355,535	-
Capital lease obligation	-	-	-
Compensated absences - current	151,180	488,266	18,825
Self-insurance claims and judgments - current	-	-	-
Other long-term debt	4,314,354	3,362,704	-
Total current liabilities	<u>12,328,336</u>	<u>9,925,244</u>	<u>237,582</u>
Noncurrent liabilities:			
Loans from other funds, net	-	-	-
Compensated absences - long-term	47,701	148,157	1,235
Self-insurance claims and judgments - long-term	-	-	-
Capital lease obligations	-	-	-
Notes payable	169,543	-	-
Certificates of participation	-	77,584,219	-
Bonds payable	253,344,417	-	-
Net OPEB obligation	-	-	-
Total noncurrent liabilities	<u>253,561,661</u>	<u>77,732,376</u>	<u>1,235</u>
Total liabilities	<u>265,889,997</u>	<u>87,657,620</u>	<u>238,817</u>
<b>NET POSITION</b>			
Net investment in capital assets	118,510,185	230,986,136	49,035,371
Restricted for capital projects	30,412,864	15,420,141	-
Restricted for debt service	8,309,554	-	-
Restricted for equipment replacement	-	-	-
Unrestricted (deficit)	(41,032)	38,576,321	5,334,333
Total net position	<u>\$ 157,191,571</u>	<u>\$ 284,982,598</u>	<u>\$ 54,369,704</u>

Central Parking District	Other Nonmajor Enterprise	Totals	Governmental Activities Internal Service
\$ 2,000,884	\$ 585,028	\$ 76,511,354	\$ 59,158,031
2	-	10,057	-
88,060	16,590	12,864,002	1,648,511
-	-	-	2,685,755
-	-	1,937,203	-
-	51,553	1,616,614	-
-	-	-	1,270,668
491,721	19,199	896,679	916,497
<u>2,580,667</u>	<u>672,370</u>	<u>93,835,909</u>	<u>65,679,462</u>
-	-	19,979,910	-
32,385	-	34,195,034	-
-	-	-	499,277
-	-	-	-
-	-	-	-
-	-	-	107,812,401
7,828,180	359,805	32,290,577	-
<u>25,229,215</u>	<u>25,762,495</u>	<u>730,033,398</u>	<u>13,926,954</u>
<u>33,089,780</u>	<u>26,122,300</u>	<u>816,498,919</u>	<u>122,238,632</u>
<u>35,670,447</u>	<u>26,794,670</u>	<u>910,334,828</u>	<u>187,918,094</u>
-	-	2,460,596	-
-	-	2,460,596	-
54,959	207,702	6,854,725	1,136,875
-	799	557,464	-
184,226	110,238	1,597,380	49,104
525,505	1,433,321	7,663,014	2,281,864
-	-	-	539,691
11,762	-	670,033	522,482
-	-	-	12,233,040
3,120,134	615,631	11,412,823	18,950,520
<u>3,896,586</u>	<u>2,367,691</u>	<u>28,755,439</u>	<u>35,713,576</u>
1,533,572	-	1,533,572	500,000
3,227	-	200,320	211,596
-	-	-	56,679,399
-	-	-	1,885,259
-	10,255,190	10,424,733	-
-	-	77,584,219	-
30,354,022	-	283,698,439	119,970,000
-	-	-	123,657,524
<u>31,890,821</u>	<u>10,255,190</u>	<u>373,441,283</u>	<u>302,903,778</u>
<u>35,787,407</u>	<u>12,622,881</u>	<u>402,196,722</u>	<u>338,617,354</u>
-	15,251,479	413,783,171	11,502,004
32,385	-	45,865,390	-
-	-	8,309,554	-
-	-	-	16,107,140
(149,345)	(1,079,690)	42,640,587	(178,308,404)
<u>\$ (116,960)</u>	<u>\$ 14,171,789</u>	<u>\$ 510,598,702</u>	<u>\$ (150,699,260)</u>

**CITY OF STOCKTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Major Enterprise Funds		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 37,084,796	\$ 58,817,126	\$ 5,406,602
Miscellaneous	769,935	1,136,192	164,547
Total operating revenues	37,854,731	59,953,318	5,571,149
<b>OPERATING EXPENSES:</b>			
Operation and maintenance	7,583,331	30,894,912	1,390,608
General and administrative	3,964,825	9,277,910	2,669,091
Depreciation and amortization	7,425,092	11,161,304	1,595,661
Purchased water	8,214,161	-	-
Total operating expenses	27,187,409	51,334,126	5,655,360
<b>OPERATING INCOME (LOSS)</b>	<b>10,667,322</b>	<b>8,619,192</b>	<b>(84,211)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Taxes	-	-	-
Grants and subsidies	3,893,161	-	-
Investment income:			
Interest income	933,856	464,563	41,176
Gain (loss) from disposal of capital assets	-	-	-
Interest expense and fiscal charges	(17,532,799)	(4,389,433)	(102,796)
Other non-operating revenues	168,915	262,014	-
Total non-operating revenues (expenses)	(12,536,867)	(3,662,856)	(61,620)
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,869,545)</b>	<b>4,956,336</b>	<b>(145,831)</b>
Capital contributions	201,968	812,272	-
Developer contributions	20,000	12,305	37,220
Transfers in	-	-	-
Transfers out	(199,896)	(801,206)	(30,958)
<b>CHANGE IN NET POSITION</b>	<b>(1,847,473)</b>	<b>4,979,707</b>	<b>(139,569)</b>
<b>NET POSITION (DEFICITS) AT BEGINNING OF THE YEAR, AS ORIGINALLY REPORTED</b>	<b>161,652,861</b>	<b>280,546,439</b>	<b>54,509,273</b>
Prior period restatement (Note 19)	(2,613,817)	(543,548)	-
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<b>159,039,044</b>	<b>280,002,891</b>	<b>54,509,273</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 157,191,571</b>	<b>\$ 284,982,598</b>	<b>\$ 54,369,704</b>

Major Enterprise Fund			Governmental
Central Parking	Other Nonmajor		Activities
District	Enterprise	Totals	Internal Service
\$ 2,848,017	\$ 1,142,139	\$ 105,298,680	\$ 102,028,716
33,621	727,547	2,831,842	-
2,881,638	1,869,686	108,130,522	102,028,716
2,569,462	2,359,921	44,798,234	88,500,897
188,665	-	16,100,491	5,617,091
741,857	605,731	21,529,645	2,737,188
-	-	8,214,161	-
3,499,984	2,965,652	90,642,531	96,855,176
(618,346)	(1,095,966)	17,487,991	5,173,540
1,166,759	-	1,166,759	-
-	-	3,893,161	204,458
21,078	(12,774)	1,447,899	478,117
-	-	-	261,986
(1,620,134)	(482,128)	(24,127,290)	(7,627,704)
-	-	430,929	980,658
(432,297)	(494,902)	(17,188,542)	(5,702,485)
(1,050,643)	(1,590,868)	299,449	(528,945)
-	-	1,014,240	1,223,181
-	-	69,525	-
-	610,000	610,000	941,290
(908,167)	(67)	(1,940,294)	(76,601)
(1,958,810)	(980,935)	52,920	1,558,925
1,988,727	15,152,724	513,850,024	(151,383,270)
(146,877)	-	(3,304,242)	(874,915)
1,841,850	15,152,724	510,545,782	(152,258,185)
\$ (116,960)	\$ 14,171,789	\$ 510,598,702	\$ (150,699,260)

**CITY OF STOCKTON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Major Funds		
	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 37,881,044	\$ 59,750,959	\$ 5,592,543
Receipts for interfund services provided	-	-	-
Payments to suppliers	(15,936,707)	(23,348,423)	(2,400,473)
Payments to employees	(6,482,239)	(14,915,459)	(1,590,876)
Net cash provided by (used for) operating activities	<u>15,462,098</u>	<u>21,487,077</u>	<u>1,601,194</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	-	-	-
Transfers out	(199,896)	(22,199)	(30,958)
Receipt of cash subsidies and federal grants	3,391,547	-	-
Interest on settlement	-	-	(102,796)
Principal paid on pension obligation debt	-	-	-
Interest paid on pension obligation debt	-	-	-
Due from other funds	-	-	-
Due to other funds	-	-	-
Advances to other funds	-	-	-
Advances received from other funds	-	-	-
Proceeds from taxes	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>3,191,651</u>	<u>(22,199)</u>	<u>(133,754)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of capital assets	-	-	-
Proceeds from debt	-	-	-
Proceeds from bond insurance	-	-	-
Purchases of capital assets	(9,532,662)	(4,856,557)	(22,121)
Capital contributions received	201,968	812,272	-
Unamortized loss on refunding of debt	(148,561)	2,312,035	-
Principal paid on debt	(1,534,568)	(2,932,680)	-
Interest paid on debt	(16,615,600)	(6,752,491)	-
Net cash provided by (used for) capital and related financing activities	<u>(27,629,423)</u>	<u>(11,417,421)</u>	<u>(22,121)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	<u>933,531</u>	<u>464,565</u>	<u>41,176</u>
Net cash provided by (used for) investing activities	<u>933,531</u>	<u>464,565</u>	<u>41,176</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(8,042,143)</u>	<u>10,512,022</u>	<u>1,486,495</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>78,876,177</u>	<u>41,725,029</u>	<u>3,510,421</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 70,834,034</u>	<u>\$ 52,237,051</u>	<u>\$ 4,996,916</u>

Major Fund		Enterprise		Governmental
Central Parking	Other Nonmajor			Activities
District	Enterprise	Totals		Internal Service
\$ 2,896,468	\$ 1,859,315	\$ 107,980,329		\$ 101,065,014
-	-	-		1,374,963
(1,835,153)	(2,281,891)	(45,802,647)		(72,182,588)
(987,946)	(24,151)	(24,000,671)		(11,870,014)
<u>73,369</u>	<u>(446,727)</u>	<u>38,177,011</u>		<u>18,387,375</u>
-	610,000	610,000		941,290
(908,167)	(67)	(1,161,287)		(76,601)
-	-	3,391,547		204,458
-	-	(102,796)		-
-	-	-		7,575,867
-	-	-		(8,438,118)
-	-	-		4,511,067
-	-	-		-
-	-	-		120,189
(361,112)	-	(361,112)		-
1,166,759	-	1,166,759		-
<u>(102,520)</u>	<u>609,933</u>	<u>3,543,111</u>		<u>4,838,152</u>
-	-	-		-
-	-	-		1,871,404
2,052,554	-	2,052,554		-
(1)	(36,118)	(14,447,459)		(3,584,355)
-	-	1,014,240		-
-	-	2,163,474		-
(383,004)	-	(4,850,252)		(2,410,030)
(1,625,601)	1	(24,993,691)		(88,126)
<u>43,948</u>	<u>(36,117)</u>	<u>(39,061,134)</u>		<u>(4,211,107)</u>
<u>21,085</u>	<u>(12,774)</u>	<u>1,447,583</u>		<u>478,117</u>
<u>21,085</u>	<u>(12,774)</u>	<u>1,447,583</u>		<u>478,117</u>
<u>35,882</u>	<u>114,315</u>	<u>4,106,571</u>		<u>19,492,537</u>
<u>1,997,387</u>	<u>470,713</u>	<u>126,579,727</u>		<u>39,665,494</u>
<u>\$ 2,033,269</u>	<u>\$ 585,028</u>	<u>\$ 130,686,298</u>		<u>\$ 59,158,031</u>

**CITY OF STOCKTON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Major Funds		
	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 10,667,322	\$ 8,619,192	\$ (84,211)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	7,425,092	11,161,304	1,595,661
Other non-operating revenues	168,915	262,014	-
Changes in assets and liabilities:			
Accounts and other receivables	(104,283)	(464,373)	21,394
Prepaid expenses	(6,780)	(11,992)	(209)
Inventory of supplies	-	(69,774)	-
Deferred charges	-	-	-
Net pension asset	-	-	-
Accounts payable	(2,743,773)	1,992,854	68,589
Due to other governments	95,586	-	-
Deposits and other liabilities	(38,319)	-	-
Compensated absences	(1,662)	(2,148)	(30)
Self-insurance - claims and judgments	-	-	-
Net OPEB obligation	-	-	-
Net cash provided by (used for) operating activities	<u>\$ 15,462,098</u>	<u>\$ 21,487,077</u>	<u>\$ 1,601,194</u>
<b>NONCASH TRANSACTIONS:</b>			
Amortization of issuance discounts	\$ 118,736	\$ 27,295	\$ -
Amortization of issuance premiums	\$ (127,779)	\$ (45,096)	\$ -
Amortization of (gain)/ loss on refunding	\$ 148,561	\$ 2,312,035	\$ -
Costs of issuance paid from bond proceeds	\$ 2,755,167	\$ 763,720	\$ -
Prepaid cost of issuance expense	\$ (132,307)	\$ (202,371)	\$ -
Capital contributions	\$ 20,000	\$ 12,305	\$ 37,220
Transfer of capital assets from (to) other funds	\$ -	\$ (779,007)	\$ -
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:</b>			
Cash and investments	\$ 32,111,616	\$ 36,816,910	\$ 4,996,916
Restricted assets:			
Cash and investments	6,372,992	13,606,918	-
Cash and investments with fiscal agents	32,349,426	1,813,223	-
Total cash and investments	<u>\$ 70,834,034</u>	<u>\$ 52,237,051</u>	<u>\$ 4,996,916</u>

Major Fund		Enterprise		Governmental
Central Parking	Other Nonmajor			Activities
District	Enterprise	Totals		Internal Service
\$ (618,346)	\$ (1,095,966)	\$ 17,487,991		\$ 5,173,540
741,857	605,731	21,529,645		2,737,188
-	-	430,929		980,658
17,793	(627)	(530,096)		(565,760)
(193)	(1,700)	(20,874)		(797,873)
-	(7,968)	(77,742)		-
-	-	-		1,286,552
-	-	-		5,775,916
(69,445)	86,948	(664,827)		258,456
-	(31,369)	64,217		-
(2,963)	(1,776)	(43,058)		-
4,666	-	826		325,091
-	-	-		5,226,601
-	-	-		(2,012,994)
<u>\$ 73,369</u>	<u>\$ (446,727)</u>	<u>\$ 38,177,011</u>		<u>\$ 18,387,375</u>
\$ -	\$ -	\$ 146,031		\$ -
\$ (26,996)	\$ -	\$ (199,871)		\$ -
\$ -	\$ -	\$ 2,460,596		\$ -
\$ -	\$ -	\$ 3,518,887		\$ -
\$ (491,528)	\$ -	\$ (826,206)		\$ -
\$ -	\$ -	\$ 69,525		\$ -
\$ -	\$ -	\$ (779,007)		\$ 1,223,181
\$ 2,000,884	\$ 585,028	\$ 76,511,354		\$ 59,158,031
-	-	19,979,910		-
32,385	-	34,195,034		-
<u>\$ 2,033,269</u>	<u>\$ 585,028</u>	<u>\$ 130,686,298</u>		<u>\$ 59,158,031</u>

**CITY OF STOCKTON**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2014**

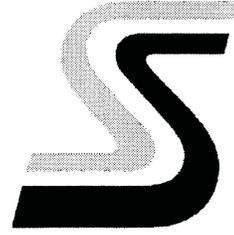
	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
<b>ASSETS</b>		
Cash and investments	\$ 51,199,226	\$ 6,455,273
Cash and investments with fiscal agents	16,655,501	18,857,004
Receivables, net:		
Interest	19,751	790
Accounts and other receivables	1,370,353	18,335
Deposits	-	54,900
Prepaid items	-	1,329,267
Loans to other property owners	-	44,156
Capital assets:		
Nondepreciable	-	13,047,928
Depreciable, net	-	17,595,889
	<u>\$ 69,244,831</u>	<u>57,403,542</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 351,532	20,608
Due to other governments	72,887	477,020
Deposits and other liabilities	68,820,412	-
Loans from the City, net	-	2,495,332
Accrued interest	-	2,108,687
Bonds payable - current	-	2,406,560
Bonds payable - noncurrent	-	119,691,254
Pollution remediation	-	2,415,540
	<u>\$ 69,244,831</u>	<u>129,615,001</u>
<b>NET POSITION HELD IN TRUST</b>		<u>\$ (72,211,459)</u>

**CITY OF STOCKTON**  
**STATEMENT OF ADDITIONS, DEDUCTIONS AND CHANGES IN FIDUCIARY NET**  
**POSITION FOR THE YEAR ENDED JUNE 30, 2014**

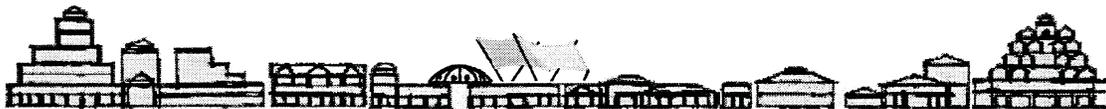
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	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
<b>ADDITIONS</b>	
Property tax	\$ 9,941,855
Use of money and property	8,800
Investment Income	259,383
Miscellaneous	11,320,958
Total additions	<u>21,530,996</u>
<b>DEDUCTIONS</b>	
General government	4,117,164
Public Works	9,417,099
Interest expense	6,282,981
Total deductions	<u>19,817,244</u>
<b>CHANGE IN NET POSITION</b>	1,713,752
<b>NET POSITION</b>	
NET POSITION (DEFICITS) AT BEGINNING OF THE YEAR, AS ORIGINALLY REPORTED	(72,882,406)
Prior period restatement	<u>(1,042,805)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>(73,925,211)</u>
NET POSITION, END OF YEAR	<u>\$ (72,211,459)</u>





# CITY OF STOCKTON



## NOTES TO BASIC FINANCIAL STATEMENTS



**City of Stockton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2014**

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**City of Stockton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2014**

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**City of Stockton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2014**

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**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 and appointed City Manager form of government and provides the following services as authorized by its charter: public safety, community services, engineering services, planning services, public works, general administrative services and capital improvements.

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

*Fiduciary Component Unit*

The Successor Agency to the Redevelopment Agency of the City of Stockton ("Successor Agency") is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council action taken on August 23, 2011. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Stockton as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund for the fiscal year ended June 30, 2014.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**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/or 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 (SJAFC) 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 SJAFC, therefore financial information for the SJAFC is not included in the accompanying financial statements.

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

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

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

**Government-Wide Financial Statements**

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation, Measurement Focus and Basis of Accounting, 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 non-major 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 interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and netted in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**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 non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

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

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

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

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

The City reports the following major governmental funds:

- ***General Fund***

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

- ***HOME Program Loans Special Revenue Fund***

To account for the City's HOME Program providing affordable housing for low- and very low-income residents in accordance with various federal and state laws. HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low- and very low- income households.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**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 subsequent to the date of dissolution.
- ***Capital Improvement Capital Projects Fund***  
To account for the acquisition, construction and improvement of general governmental capital facilities as required by City Council action or state law in which the projects are financed by grants, lease proceeds and transfers from other City governmental funds.

**Proprietary Fund Financial Statements**

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

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

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 Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**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.
- ***Central Parking District 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 like the Proprietary funds. These funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for various assessment districts for which the City acts as an agent for debt service activities. The private-purpose trust fund accounts for assets, liabilities and activities of the dissolved Redevelopment Agency of the City of Stockton, which is accounted for in the Successor Agency Trust Fund.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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

*Deferred Outflows of Resources* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the unamortized loss on refunding of debt reported in the government-wide statement of net position. A unamortized loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Deferred Inflows of Resources* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*D. Encumbrances*

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

*E. Cash, Cash Equivalents and Investments*

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*E. Cash, Cash Equivalents and Investments, Continued*

Investment income consists of interest income, dividend income, and recognized gains or losses on investments. Money market investments and certain guaranteed investment contracts are carried at cost. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City allocates the fair value adjustment for unrealized gains and losses along with interest earnings on investments to the individual pooled funds quarterly based on each fund's average quarterly pooled cash and investments balances. The City reported its investments at fair value and the unrealized losses on investments amounted to \$444,692 for the fiscal year ended June 30, 2014.

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

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

*F. Restricted Cash and Investments*

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

*G. Receivables*

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**G. Receivables, Continued**

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

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

**H. Interfund Loans and Advances**

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

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

**I. Inventory of Supplies**

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

**J. Capital Assets**

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*J. Capital Assets, Continued*

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 prior to that date. It is the City's policy to accrue its payroll and benefits liabilities in the Payroll Fund, which is combined with the General Fund for financial reporting purposes. Cash is transferred from the respective funds to the Payroll Fund to cover that Fund's portion of the accrued liabilities with the corresponding payroll expenditures being recorded in the Fund. As of June 30, the payroll accrual is recorded in the City's General Fund with corresponding cash collected from the other funds to offset the accrual.

*M. Accrued Compensated Absences*

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

For employees separating from service after February 17, 2012 and before June 30, 2014 vacation payouts are now paid in annual installments on the separation date equal to the greater of \$10,000 or 1/3 of the employees accrued balance until paid in full and sick leave accruals are no longer paid out. For those employees separating from service after July 1, 2013, they receive their full vacation payout.

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*M. Accrued Compensated Absences, Continued*

**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.

Prior to July 1, 2013, bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight-line method, which approximates effective interest method. Bonds payable are reported net of the applicable premium or discount except for insurance prepaid bond insurance premiums. The City implemented GASB Statement No. 65 (Note 1T) 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. Net Position*

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

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

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

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*P. Fund Balances*

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

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

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

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

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

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

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Q. Property Taxes*

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

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

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

*R. Use of Estimates*

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

*S. Reclassification of Funds*

The Transportation Development Act Fund was previously reported as a Capital Project Fund and is now reported as a Special Revenue Fund as its use is specifically restricted for pedestrian and bicycle facilities under Article 3, Section 99234 of the California Codes of Regulations.

*T. Implementation of Governmental Accounting Standards Board Statements*

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (effective for periods beginning after December 15, 2012). The requirement of this statement is for the governments to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB 63. The Statement also revises the major fund calculation so that assets are combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources. Under this pronouncement, it also restricts the use of the term deferred to only deferred outflows of resources and deferred inflows of resources.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***T. Implementation of Governmental Accounting Standards Board Statements, Continued***

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. The following transactions are the significant changes impacted by the adoption of GASB 65:

- **Bond Refunding:** the difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- **Debt Issuance Costs:** debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.
- **Revenue Recognition in Governmental Funds:** assets are recorded in governmental fund financial statements but the revenue is not available, the City reported the transaction as deferred inflow of resources until such time as the revenue becomes available.

GASB has issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The requirements of this statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the City's financial statements for year ended June 30, 2014.

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this statement enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This statement became effective for period beginning after June 15, 2013 and did not have a significant impact on the City's financial statements for the year ended June 30, 2014.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The following is a summary of cash, cash equivalents and investments, including restricted cash and investments at June 30, 2014:

<b>Deposits:</b>	
Cash on hand	\$ 78,435
Demand deposits	2,536,742
Total deposits	<u>2,615,177</u>
<b>Investments</b>	<u>390,126,187</u>
Total cash and investments	<u><u>\$ 392,741,364</u></u>
 <b>Presented in the government-wide statement of net position:</b>	
Cash and investments	\$ 242,348,606
Restricted cash and investments	57,225,754
 <b>Presented in the statement of fiduciary net position:</b>	
Cash and investments	57,654,499
Cash and investments with fiscal agents	35,512,505
Total cash and investments	<u><u>\$ 392,741,364</u></u>

**A. Cash Deposits**

The carrying amount of the City's pooled cash deposits was \$2,536,742 at June 30, 2014. Bank balances before reconciling items were \$3,897,235 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**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	\$50,000,000 per account	N/A
California Asset Management Program (CAMP)	Upon Demand	No Limit	N/A
Repurchase Agreements			
- If the City invests in Repurchase Agreements, a Master Repurchase Agreement is required	92 days	20%	N/A
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 Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**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	\$50,000,000	\$50,000,000
Investment Agreements	No Limit	AA-	No Limit	No Limit

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**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, 2014, the City had \$50,014,938 invested in LAIF, which had invested 1.86% 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*

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 has a repurchase agreement with Wells Fargo Bank which is an overnight sweep of its operating cash account with a one-day maturity. Essentially this serves to invest excess operating cash in the City's investment pool overnight in order to receive an investment return on those funds. These repurchase transactions occur daily.

*E. Investments in Guaranteed Investment Contracts*

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued**

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

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

Investment Type	Fair Value	Investment Maturities			
		1 year or less	1-3 years	3-5 years	5 years or more
U. S. Agencies	\$ 89,618,952	\$ 3,261,081	\$ 49,241,802	\$ 37,116,069	\$ -
U. S. Treasuries	43,875,132	-	23,316,916	20,459,047	99,169
Medium term notes	42,907,503	15,027,078	6,020,871	21,852,467	7,087
Local Agency Investment Fund	50,014,938	50,014,938	-	-	-
Money market mutual funds	32,324,846	32,324,846	-	-	-
Negotiable certificates of deposits	6,897,320	2,603,175	4,294,145	-	-
Repurchase agreement	79,013,817	79,013,817	-	-	-
Guaranteed investment contracts	23,657,046	-	19,155,711	-	4,501,335
Commercial paper	9,387,998	9,387,998	-	-	-
Asset backed securities	12,428,635	5,154,261	3,630,558	3,643,816	-
Total	<u>\$ 390,126,187</u>	<u>\$ 196,787,194</u>	<u>\$ 105,660,003</u>	<u>\$ 83,071,399</u>	<u>\$ 4,607,591</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued**

*E. Risk Disclosures, 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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of June 30, 2014 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
<b>Held by the City and its Component Units:</b>					
U. S. Agencies:					
Non-callable	\$ -	\$ 79,573,464	\$ -	\$ -	\$ 79,573,464
Callable	-	1,430,159	-	-	1,430,159
Medium term notes:					
Non-callable	-	16,468,811	24,181,784	-	40,650,595
Callable	-	-	2,249,820	-	2,249,820
Asset Backed Securities	10,929,427	-	-	-	10,929,427
Money market mutual funds	70,059	-	-	-	70,059
Commercial Paper	-	-	-	9,387,998	9,387,998
Repurchase agreement	-	-	-	79,013,817	79,013,817
<b>Held by Fiscal Agents:</b>					
U. S. Agencies	-	8,615,329	-	-	8,615,329
Money market mutual funds	32,254,787	-	-	-	32,254,787
Total	\$ 43,254,273	\$ 106,087,763	\$ 26,431,604	\$ 88,401,815	
Not rated or exempt from rating disclosure:					
Local Agency Investment Fund					50,014,938
U. S. Treasuries					43,875,132
Negotiable certificates of deposits					6,897,320
Guaranteed investment contracts					23,657,046
Asset Backed Securities securities not rated by S&P					1,499,208
Medium Term notes					7,088
Total Investments					\$ 390,126,187

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued**

*E. Risk Disclosures, Continued*

Credit Risk, Continued

The City's portfolio manager utilizes ratings of S&P in compiling the previous table. In August 2011, S&P took an extraordinary stance of downgrading debt of the United States and numerous agencies whose debt it stands behind. Moody's and Fitch only took moves to lower the outlook on U.S. debt while still maintaining the AAA ratings on these entities. In June 2014, S&P maintained the AA+ rating with a stable outlook that is still in place today. Moody's affirmed their AAA rating with stable outlook on September 17, 2014 and Fitch affirmed the AAA rating and brought the outlook to stable on September 19, 2014.

Custodial Credit Risk

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

Concentration Credit Risk

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

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

Issuer	Investment Type	Reported Amount
<b>Held by City and its Component Units:</b>		
Wells Fargo Corp	Repurchase Agreement	\$ 79,013,817
Federal National Mortgage Association	Federal Agency Securities	\$ 25,434,257
Federal Home Loan Mortgage Corp	Federal Agency Securities	\$ 20,780,229
Federal Farm Credit Bank	Federal Agency Securities	\$ 9,753,675
Federal Home Loan Bank	Federal Agency Securities	\$ 21,230,031
<b>Held by Fiscal Agent:</b>		
Trinity Plus	Guaranteed Investment Contract	\$ 15,695,424
Federal Home Loan Bank	Federal Agency Securities	\$ 1,210,424
Federal Farm Credit Bank	Federal Agency Securities	\$ 7,404,905

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued**

*G. Restricted Cash and Investments*

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

The City has a reserve policy governing the establishment of Rate Stabilization Fund for its Water, Wastewater, and Stormwater Funds. These reserves are to ease future revenue fluctuations, where revenues are interrupted or otherwise insufficient to offset the operating expenditures and to minimize the impact of rate increases. The City has established a “Rate Stabilization Fund” in the Water Fund in connection with the issuance of its 2010 Variable Rate Demand Water Revenue Bonds. The City may apply moneys on deposit in the Rate Stabilization Fund for any lawful purpose. All interest or other earnings in the Rate Stabilization Fund may be withdrawn and accounted for as revenues or used for any lawful purpose. The balance in the Water Rate Stabilization Account at June 30, 2014 was \$8.3 million.

At June 30, 2014, Government-Wide restricted cash and investments and restricted cash and investments with fiscal agents are as follows:

<b>Governmental activities</b>	\$ 3,050,810
<b>Business-type activities:</b>	
Water Utility	38,722,418
Wastewater Utility	15,420,141
Central Parking District	32,385
Subtotal	<u>54,174,944</u>
Total restricted cash and investments	<u>\$ 57,225,754</u>

**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 grant or other reimbursements. The following is a summary of interfund balances as of June 30, 2014.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**3. INTERFUND TRANSACTIONS, Continued**

**A. Due To/From Other Funds, Continued**

The most significant interfund transactions were as follows:

<u>Fund Making Short Term Loan</u>	<u>Fund Receiving Short Term Loan</u>	<u>Amount</u>
Internal Service Fund - Workers' Compensation	Capital Improvement Funds	\$ 2,301,334
	Home Program Loans	368,829
	Non-Major Governmental:	
	Gas Tax	15,592
		<u>\$ 2,685,755</u>

- \$2,685,755 was borrowed from the Workers' Compensation Fund to cover cash overdrafts in the Capital Improvements Funds, Home Program Loans and the Other Non-major Governmental Special Revenue Funds in the investments pool as of June 30, 2014. There are sufficient receivables from other governments to repay this amount.

**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 of time or not at all, have been offset with an allowance for uncollectible loans.

The most significant interfund 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>
Other Governmental	Central Parking District Enterprise Fund	\$ 1,034,295	\$ -	\$ 1,034,295
Internal Service Funds	Central Parking District Enterprise Fund	499,277	-	499,277
General Fund	Stormwater Utility Enterprise Fund	10,601,277	(10,601,277)	-
Capital Improvement Capital Projects Fund	Public Facilities Impact Fees Capital Proj. Fund	969,585	(969,585)	-
	Stormwater Utility Enterprise Fund	797,749	(797,749)	-
	Non Major Enterprise Funds - Golf Courses Fund	763,500	(763,500)	-
Total		<u>\$ 14,665,683</u>	<u>\$ (13,132,111)</u>	<u>\$ 1,533,572</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**3. INTERFUND TRANSACTIONS, Continued**

**B. Loans To/From Other Funds, Continued**

- The \$1,034,295 loan from Other Governmental (Public Facilities Impact Fees Capital Projects Fund) to the Central Parking District Enterprise Fund was for construction costs of new parking structures.
- The \$499,277 loan from the General Insurance Internal Service Fund to the Central Parking District Enterprise Fund is for settlement costs of property acquired through eminent domain.
- The \$10,601,277 is a loan from the General Fund to the Stormwater Utility Enterprise Fund for subsidizing its operations established as a result of the *MuniFinancial Review of General Fund Cost Recovery from Utility Funds Report* (dated October 6, 2008), accepted by the Court and City Council. The loan to the Stormwater Utility Enterprise Fund are deemed to be uncollectible due to ongoing operating losses in the fund and continued subsidy of its operations by the General Fund. Absent the passage of additional rate increases in the future, the collectability of this loan is deemed to be unlikely. The City is anticipating going to the voters for a rate increase which could be used to repay this loan at a future time.
- The \$969,585 loan from the Capital Improvement Capital Projects Fund to the Public Facilities Impact Fees Capital Projects Fund was for construction costs for community centers.
- The \$797,749 is a loan from the Capital Improvement Capital Projects Fund to the Stormwater Utility Enterprise Fund for subsidizing its operations established as a result of the *MuniFinancial Review of General Fund Cost Recovery from Utility Funds Report* (dated October 6, 2008), accepted by the Court and City Council.
- The \$763,500 loan from the Capital Improvement Capital Projects Fund to the Nonmajor Enterprise Funds is for the Swenson Irrigation System Project at the golf course.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**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, 2014:

		<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<b>Governmental Activities:</b>				
General Fund	Program Support	\$ 102,040	\$ (2,969,957)	\$ (2,867,917)
General Fund	Debt Service	908,167	(1,455,005)	(546,838)
Low-Moderate Income Housing- City Loans	Debt Service	-	(395,312)	(395,312)
Capital Improvement	Program Support	1,290,000	-	1,290,000
Capital Improvement	Debt Service	-	(7,364)	(7,364)
Capital Improvement	Capital Projects	8,194,826	-	8,194,826
Other Governmental non-major funds	Program Support	1,144,102	(145,160)	998,942
Other Governmental non-major funds	Debt Service	1,857,681	-	1,857,681
Other Governmental non-major funds	Capital Projects	-	(8,058,413)	(8,058,413)
Internal Service Funds	Program Support	941,290	(76,601)	864,689
Total governmental activities		<u>14,438,106</u>	<u>(13,107,812)</u>	<u>1,330,294</u>
<b>Business-type Activities:</b>				
Water Utility	Program Support	-	(85,682)	(85,682)
Water Utility	Capital Projects	-	(114,214)	(114,214)
Wastewater Utility	Program Support	-	(779,006)	(779,006)
Wastewater Utility	Capital Projects	-	(22,200)	(22,200)
Stormwater Utility	Program Support	-	(30,958)	(30,958)
Central Parking District	Debt Service	-	(908,167)	(908,167)
Other Enterprise non-major funds	Program Support	610,000	(67)	609,933
Total business-type activities		<u>610,000</u>	<u>(1,940,294)</u>	<u>(1,330,294)</u>
<b>Total</b>		<u>\$ 15,048,106</u>	<u>\$ (15,048,106)</u>	<u>\$ -</u>

No Nonroutine and Infrequent Transfers in Fiscal year 2013-14.

**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, 2014 most of which are offset by an Allowance for Uncollectable Loans. Repayment of these loans is now contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, and under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes. If the Oversight Board finds that the loans are an enforceable obligation, the loans are to be repaid in accordance with a defined schedule over a reasonable term of years. Repayment cannot begin prior to fiscal year 2013-14 and the maximum annual repayment amount is limited based on calculations in the Code Section. However, these loans are subordinate to the priority lien of bondholders to the property tax increment revenue.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**4. SUCCESSOR AGENCY - LOANS FROM CITY, NET, Continued**

In addition, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. Therefore, the total amount owed has been offset with an allowance for uncollectible interest (\$96,333,632 as of June 30, 2014) as rate on the loan was 10%.

Fund Making Loan	Fund Receiving Loan	Amount	Allowance for Uncollectable Loans	Net
Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency	Internal Service Funds -Workers' Comp.	\$ 500,000	\$ -	\$ 500,000
Low Moderate Income Housing RDA Loans	Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency	1,888,752	-	1,888,752
Low Moderate Income Housing RDA Loans	Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency	1,106,580	-	1,106,580
Non-Major Governmental - CDBG Fund	Private-Purpose Trust Fund 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	102,029	(102,029)	-
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	46,241	(46,241)	-
Central Parking District 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	96,333,632	(96,333,632)	-
Total		<u>\$ 132,668,884</u>	<u>\$ (129,173,552)</u>	<u>\$ 3,495,332</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**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 \$1,888,752 of loans from the Low-Moderate Income Housing City Loans Special Revenue Fund to the former Redevelopment Agency Capital Projects Fund for payment of tax increment to the San Joaquin County Supplemental Educational Revenue Augmentation Fund under Assembly Bill 26 4x to be repaid in five installments beginning in FY 2012. The FY 2012 payment was not made due to the dissolution of the Redevelopment Agency effective January 31, 2012.
- The \$1,106,580 is a loan from the Low-Moderate Income Housing City Loans Special Revenue Fund to the former Redevelopment Agency Capital Projects fund for the Waterfront Redevelopment Project Area.
- The \$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, 2014, outstanding accrued interest balance was \$96,333,632.
- The \$102,029 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 \$46,241 loan from the Wastewater Utility Enterprise Fund to the former Redevelopment Agency Capital Projects Fund was for funding of two development project permit fees.
- The \$847,000 is a loan from the Central Parking District Enterprise Fund to the former Redevelopment Agency Capital Projects Fund for the Waterfront Redevelopment Project Area.
- The \$727,957 is a loan from the General Fund to the former Redevelopment Agency Capital Projects Fund for various project areas.
- The \$17,056,102 from the Capital Improvement Capital Projects Fund to the former Redevelopment Agency Capital Projects Fund represents loans for various project areas.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**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, 2014 are as follows:

Loan Programs	Governmental Activities		
	Principal	Deferred Interest	Total
First Time Home Buyers Program (HOME)	\$ 31,318,611	\$ 7,020,421	\$ 38,339,032
Community Development Block Grant Program	16,352,226	3,836,494	20,188,720
Neighborhood Stabilization Buyer Program	7,400,632	100,704	7,501,336
California Home Loans	2,933,931	178,883	3,112,814
Low & Moderate Income Housing Programs (former Redevelopment Agency)	47,019,600	6,259,965	53,279,565
	<u>\$ 105,025,000</u>	<u>\$ 17,396,467</u>	<u>122,421,467</u>
Less: Allowance for doubtful accounts			(858,771)
			<u>\$ 121,562,696</u>

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

First Time Home Buyers Program (HOME)

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

Community Development Block Grant Program

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

Neighborhood Stabilization Program

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

California Home Loans Program

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**5. LOANS TO PROPERTY OWNERS, Continued**

*Low & Moderate Income Housing*

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

**6. SETTLEMENT BETWEEN GENERAL FUND AND WATER, WASTEWATER UTILITY FUNDS**

The City of Stockton and the Howard Jarvis Taxpayers Association entered into a settlement on March 24, 2009. Under the terms of the settlement agreement, the City's General Fund is required to repay the Water and Wastewater Utility Fund funds \$20,268,225. At June 30, 2014, the outstanding balance of the settlement was \$7,535,488 and \$11,688,751, respectively. Upon the City's filing for bankruptcy on June 28, 2012 (Note 17), the Funds established a 100% valuation allowance against the receivable as the collectability of the amount is uncertain and is subject to a creditor's claim and the City's confirmation of a plan of adjustment in the United States Bankruptcy Court. When the City adopted its 2012-13 Budget under the pendency plan, payments from the City's General Fund for this obligation were discontinued.

**7. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2014, the City's capital assets consisted of the following:

	Governmental Activities	Business - Type Activities	Total
<b>Capital assets, not being depreciated:</b>			
Land	\$ 41,785,623	\$ 15,626,841	\$ 57,412,464
Intangible assets - easements	4,354,960	750,453	5,105,413
Construction in progress	115,566,924	15,913,283	131,480,207
Total capital assets, not being depreciated	161,707,507	32,290,577	193,998,084
<b>Capital assets, being depreciated:</b>			
Infrastructure	528,874,897	-	528,874,897
Buildings and improvements	344,552,147	999,824,246	1,344,376,393
Machinery and equipment	55,305,946	10,589,045	65,894,991
Total capital assets, being depreciated	928,732,990	1,010,413,291	1,939,146,281
<b>Less accumulated depreciation for:</b>			
Infrastructure	(144,551,978)	-	(144,551,978)
Buildings and improvements	(99,345,653)	(272,927,946)	(372,273,599)
Machinery and equipment	(38,236,581)	(7,451,947)	(45,688,528)
Total accumulated depreciation	(282,134,212)	(280,379,893)	(562,514,105)
Total capital assets, being depreciated, net	646,598,778	730,033,398	1,376,632,176
<b>Total capital assets, net</b>	<b>\$ 808,306,285</b>	<b>\$ 762,323,975</b>	<b>\$ 1,570,630,260</b>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**7. CAPITAL ASSETS, Continued**

**B. Governmental Activities**

Summary of changes in governmental activities capital assets for the year ended June 30, 2014 are as follows:

<b>Governmental activities:</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2014</b>
Capital assets, not being depreciated:					
Land	\$ 45,343,669	\$ -	\$ (3,644,571)	\$ 86,525	\$ 41,785,623
Intangible assets - easements	4,309,777	-	-	45,183	4,354,960
Construction in progress	172,014,644	32,320,293	(14,055,230)	(74,712,783)	115,566,924
Total capital assets, not being depreciated	<u>221,668,090</u>	<u>32,320,293</u>	<u>(17,699,801)</u>	<u>(74,581,075)</u>	<u>161,707,507</u>
Capital assets, being depreciated:					
Infrastructure	459,667,425	78,917	-	69,128,555	528,874,897
Buildings and improvements	343,385,583	-	(3,099,940)	4,266,504	344,552,147
Machinery and equipment	54,349,957	2,991,613	(4,263,970)	2,228,346	55,305,946
Total capital assets, being depreciated	<u>857,402,965</u>	<u>3,070,530</u>	<u>(7,363,910)</u>	<u>75,623,405</u>	<u>928,732,990</u>
Less accumulated depreciation for:					
Infrastructure	(132,814,731)	(11,737,247)	-	-	(144,551,978)
Buildings and improvements	(90,761,025)	(9,573,917)	989,289	-	(99,345,653)
Machinery and equipment	(39,222,567)	(3,268,020)	4,254,006	-	(38,236,581)
Total accumulated depreciation	<u>(262,798,323)</u>	<u>(24,579,184)</u>	<u>5,243,295</u>	<u>-</u>	<u>(282,134,212)</u>
Total capital assets, being depreciated, net	<u>594,604,642</u>	<u>(21,508,654)</u>	<u>(2,120,615)</u>	<u>75,623,405</u>	<u>646,598,778</u>
Governmental activities capital assets, net	<u>\$ 816,272,732</u>	<u>\$ 10,811,639</u>	<u>\$ (19,820,416)</u>	<u>\$ 1,042,330</u>	<u>\$ 808,306,285</u>

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2014 are as follows:

<b>Governmental Activities:</b>	
General Government	\$ 4,666,054
Public Works	13,413,442
Parks & Recreation	2,514,108
Library	152,797
Public Safety	1,095,595
Internal Service Funds	2,737,188
Total	<u>\$ 24,579,184</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**7. CAPITAL ASSETS, Continued**

**C. Business-Type Activities**

Summary of changes in business-type activities capital assets for the year ended June 30, 2014 are as follows:

<b>Business-type activities:</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2014</b>
Capital assets, not being depreciated:					
Land	\$ 15,606,841	\$ 20,000	\$ -	\$ -	\$ 15,626,841
Intangible asset - easements	750,453	-	-	-	750,453
Construction in progress	20,272,371	13,469,750	(312,087)	(17,516,751)	15,913,283
Total capital assets, not being depreciated	<u>36,629,665</u>	<u>13,489,750</u>	<u>(312,087)</u>	<u>(17,516,751)</u>	<u>32,290,577</u>
Capital assets, being depreciated:					
Buildings and improvements	982,324,653	160,483	-	17,339,110	999,824,246
Machinery and equipment	10,011,961	1,442,582	(809)	(864,689)	10,589,045
Total capital assets, being depreciated	<u>992,336,614</u>	<u>1,603,065</u>	<u>(809)</u>	<u>16,474,421</u>	<u>1,010,413,291</u>
Less accumulated depreciation for:					
Buildings and improvements	(251,758,494)	(21,169,452)	-	-	(272,927,946)
Machinery and equipment	(7,092,142)	(360,193)	388	-	(7,451,947)
Total accumulated depreciation	<u>(258,850,636)</u>	<u>(21,529,645)</u>	<u>388</u>	<u>-</u>	<u>(280,379,893)</u>
Total capital assets, being depreciated, net	<u>733,485,978</u>	<u>(19,926,580)</u>	<u>(421)</u>	<u>16,474,421</u>	<u>730,033,398</u>
Business-type activities capital assets, net	<u>\$ 770,115,643</u>	<u>\$ (6,436,830)</u>	<u>\$ (312,508)</u>	<u>\$ (1,042,330)</u>	<u>\$ 762,323,975</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2014 are as follows:

<b>Business-type Activities:</b>	
Water Utility	\$ 7,425,092
Wastewater Utility	11,161,304
Stormwater Utility	1,595,661
Central Parking District	741,857
Marina	536,972
Golf Courses	68,759
Total	<u>\$ 21,529,645</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**7. CAPITAL ASSETS, Continued**

**D. Fiduciary Fund Activities**

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2014 are as follows:

<b>Fiduciary fund activities:</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2014</b>
Capital assets, not being depreciated:					
Land	\$ 12,947,928	\$ -	\$ -	\$ -	\$ 12,947,928
Intangible assets - easements	100,000	-	-	-	100,000
Total capital assets, not being depreciated	<u>13,047,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,047,928</u>
Capital assets, being depreciated:					
Infrastructure	10,898,549	-	-	-	10,898,549
Buildings and improvements	11,749,529	-	-	-	11,749,529
Machinery and equipment	471,547	-	-	-	471,547
Total capital assets, being depreciated	<u>23,119,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,119,625</u>
Less accumulated depreciation for:					
Infrastructure	(1,028,205)	(249,630)	-	-	(1,277,835)
Buildings and improvements	(3,679,883)	(420,057)	-	-	(4,099,940)
Machinery and equipment	(125,002)	(20,959)	-	-	(145,961)
Total accumulated depreciation	<u>(4,833,090)</u>	<u>(690,646)</u>	<u>-</u>	<u>-</u>	<u>(5,523,736)</u>
Total capital assets, being depreciated, net	<u>18,286,535</u>	<u>(690,646)</u>	<u>-</u>	<u>-</u>	<u>17,595,889</u>
Governmental activities capital assets, net	<u>\$ 31,334,463</u>	<u>\$ (690,646)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,643,817</u>

Fiduciary fund depreciation expenses for capital assets for the year ended June 30, 2014 are as follows:

<b>Fiduciary Fund:</b>	
Successor Agency	\$ 690,646

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**8. LONG-TERM LIABILITIES**

**A. Government-Wide Financial Statements**

At June 30, 2014, the City's long-term liabilities consisted of the following:

	<b>Balance</b>		
	<b>June 30, 2014</b>	<b>Current</b>	<b>Non-Current</b>
<b>Governmental Activities:</b>			
Long-Term Debt	\$ 264,962,956	\$ 45,486,619	\$ 219,476,337
Compensated Absences (Note 9)	10,591,016	6,478,035	4,112,981
Claims Liabilities (Note 12)	68,912,439	12,233,040	56,679,399
	<u>344,466,411</u>	<u>64,197,694</u>	<u>280,268,717</u>
Unamortized loss on refunding of debt	(547,308)	\$ (31,728)	\$ (515,580)
<b>Subtotal, Governmental Activities</b>	<u>343,919,103</u>	<u>64,165,966</u>	<u>279,753,137</u>
<b>Business-Type Activities:</b>			
Long-Term Debt	383,120,214	11,412,823	371,707,391
Compensated Absences (Note 9)	870,353	670,033	200,320
	<u>383,990,567</u>	<u>12,082,856</u>	<u>371,907,711</u>
Unamortized loss on refunding of debt	(2,460,596)	(269,040)	(2,191,556)
<b>Subtotal, Business-Type Activities</b>	<u>381,529,971</u>	<u>11,813,816</u>	<u>369,716,155</u>
<b>Total</b>	<u>\$ 725,449,074</u>	<u>\$ 75,979,782</u>	<u>\$ 649,469,292</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**8. LONG-TERM LIABILITIES, Continued**

**B. Governmental Activities**

Summary of changes in governmental activities long-term debt for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current	Non-Current
<b>Lease Revenue Refunding Bonds:</b>						
2006 Series A (Essential Services Building)	\$ 11,685,000	\$ -	\$ (415,000)	\$ 11,270,000	\$ 435,000	\$ 10,835,000
Deferred amount on refunding	(579,036)	-	31,728	(547,308)	(31,728)	(515,580)
Unamortized discount	(61,848)	-	3,389	(58,459)	(3,389)	(55,070)
<b>Lease Revenue Bonds:</b>						
2009 Series A Capital Improvement Bonds	35,080,000	-	-	35,080,000	-	35,080,000
Unamortized discount	(673,536)	-	26,653	(646,883)	(26,653)	(620,230)
<b>Variable Rate Demand Lease Revenue Bonds:</b>						
2007 Series A	31,290,000	-	(5,215,000)	26,075,000	5,215,000	20,860,000
2007 Series B	3,410,000	-	(550,000)	2,860,000	550,000	2,310,000
<b>Total Lease Revenue Bonds</b>	<b>80,150,580</b>	<b>-</b>	<b>(6,118,230)</b>	<b>74,032,350</b>	<b>6,138,230</b>	<b>67,894,120</b>
<b>Certificates of Participation:</b>						
Series 2003A (former Redevelopment Housing)	1,090,000	-	(35,000)	1,055,000	35,000	1,020,000
Series 2003B (former Redevelopment Housing)	11,535,000	-	(325,000)	11,210,000	340,000	10,870,000
Unamortized discount	(66,853)	57,810	427	(8,616)	(426)	(8,190)
<b>Total Certificates of Participation</b>	<b>12,558,147</b>	<b>57,810</b>	<b>(359,573)</b>	<b>12,256,384</b>	<b>374,574</b>	<b>11,881,810</b>
<b>Pension Obligation Bonds:</b>						
2007 Series A	95,025,000	-	(1,580,000)	93,445,000	1,800,000	91,645,000
2007 Series B	28,325,000	-	-	28,325,000	-	28,325,000
<b>Total Pension Obligation Bonds</b>	<b>123,350,000</b>	<b>-</b>	<b>(1,580,000)</b>	<b>121,770,000</b>	<b>1,800,000</b>	<b>119,970,000</b>
<b>Other long-term obligations:</b>						
Notes payable:						
U.S. Dept. of Housing and Urban Development	17,750,000	-	(1,290,000)	16,460,000	1,335,000	15,125,000
Loans payable:						
San Joaquin Council of Governments #1	935,593	-	(935,593)	-	-	-
San Joaquin Council of Governments #2	646,793	-	(646,793)	-	-	-
Capital lease obligations:						
Fire Vehicles	697,851	-	(62,098)	635,753	64,519	571,234
Civic auditorium HVAC system	1,449,203	-	(177,099)	1,272,104	186,246	1,085,858
Citywide communications system	607,622	-	(296,959)	310,663	310,663	-
4 Fire Trucks	1,658,103	-	(179,570)	1,478,533	164,509	1,314,024
State Animal Control Obligation	1,456,449	-	(187,386)	1,269,063	150,352	1,118,711
Settlement Obligation- Marina Towers	1,581,094	-	(1,581,094)	-	-	-
Bond Insurance Liability - 2006 Ser A (Essential Serv, Build)	108,854	-	-	108,854	108,854	-
Bond Insurance Liability- 2007 A&B Variable Rate	8,592,270	7,800,396	-	16,392,666	16,392,666	-
Interest accrued on Insurance proceeds	299,840	978,918	-	1,278,758	1,278,758	-
Bond Insurance Liability- 2007 A&B Pension Bonds	7,738,761	8,298,039	-	16,036,800	16,036,800	-
Interest accrued on Insurance proceeds	255,892	857,828	-	1,113,720	1,113,720	-
<b>Total other long-term obligations</b>	<b>43,778,325</b>	<b>17,935,181</b>	<b>(5,356,592)</b>	<b>56,356,914</b>	<b>37,142,087</b>	<b>19,214,827</b>
<b>Total</b>	<b>\$ 259,837,052</b>	<b>\$ 17,992,991</b>	<b>\$ (13,414,395)</b>	<b>\$ 264,415,648</b>	<b>\$ 45,454,891</b>	<b>\$ 218,960,757</b>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

***B. Governmental Activities, Continued***

**Lease Revenue Bonds**

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

The 2006 Bonds were issued by the SPFA in the amount of \$13,965,000 on April 6, 2006. As of June 30, 2014, bonds totaling \$11,270,000 are due in semi-annual installments ranging from \$435,000 on August 1, 2014 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 pursuant to the Lease Agreement and other assets pledged under the Indenture.

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

The General Fund is obligated to make the lease payments and no other funds are legally pledged to the repayment of the 2006 Bonds. Historically, the City has made the lease payments from two different internal sources of funding; approximately 85% paid by the Central Parking District Fund and approximately 15% is paid from the Public Facilities Fee Fund (Police Stations). Beginning in FY 2013-14 the Central Parking District was 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 \$547,308. The principal amount due is reported net of the unamortized discount of \$58,459.

The City is current on its debt service payment of the 2006 Bonds. Bond insurance to cover Trustee legal costs from the bankruptcy in the amount of \$108,854 has been received and is due on demand. The City has proposed to accept the lease under the proposed Plan of Adjustment. The Proposed Plan is subject to Confirmation by the Court pursuant to the provisions of the Bankruptcy Code, however, and remains subject to change (Note 17).

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

***B. Governmental Activities, Continued***

**Lease Revenue Bonds, Continued**

Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects) (the "2009 Bonds")

The 2009 Bonds were issued by the SPFA in the amount of \$35,080,000 on September 9, 2009. As of June 30, 2014, bonds totaling \$35,080,000 are due in annual installments of principal ranging from \$525,000 on September 1, 2013 (unpaid) to \$2,750,000 on September 1, 2038, with interest rates ranging from 6.75% to 7.0%, and a final maturity date of September 1, 2038. The 2009 Bonds were issued to finance various capital improvements located throughout the City. The 2009 Bonds are 100% owned by Franklin Advisors, Inc. and have a cash reserve fund in the amount of \$831,395 as of June 30, 2014.

The 2009 Bonds are limited obligations of the SPFA. The City, as lessor, and the SPFA, as lessee, entered into a site and facility lease dated September 1, 2009, whereby the City will lease to the SPFA certain real property, and the facilities. The 2009 Bonds were issued pursuant to Marks-Roos Local Bonds Pooling Act of 1985, as amended, and an Indenture of Trust dated as of September 1, 2009 (the "Indenture") by and between the SPFA and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Under the Indenture, the SPFA will pledge to the Trustee, for the benefit of the owners of the 2009 Bonds, all of the Revenues, consisting primarily of the Lease Payments from the City for the beneficial use and occupancy of the Property.

The lease payments are payable from the City's General Fund as described in the Official Statement. No other funds are legally pledged to the repayment of the 2009 Bonds; however, the City has previously made the lease payments from four internal sources of funding consisting of the Public Facilities Fee Funds for Fire Stations, Police Stations, Parklands and Street Improvements. The principal amount due is reported net of an unamortized discount of \$646,883.

The leased property owned by the City consists of: Oak Park, Swenson Golf Course, and Van Buskirk Golf Course, and includes site development, landscaping, utilities, equipment, furnishings, improvements and appurtenant and related facilities.

In March 2012, the City defaulted on the 2009 Bonds and continues to be in default at June 30, 2014. Principal of \$525,000 and interest of \$2,398,119 were not paid to bondholders during the fiscal year and in the government-wide financial statements has been reported as accrued principal and interest currently due and payable to bondholders. Payment is stayed under the City's chapter 9 bankruptcy. The Proposed Plan, if confirmed, would materially modify the City's obligations with respect to the 2009 Bonds (Note 17).

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

***B. Governmental Activities, Continued***

**Lease Revenue Bonds, Continued**

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

The City and Franklin Advisor, Inc. ("Franklin") are in litigation over the treatment of their claim in bankruptcy. On July 8, 2014, Judge Klein issued a ruling on the second portion of Franklin's claim based on evidence submitted to the court on the underlying value of the Property, which serves as a security interest for the bonds. The ruling deemed the value to be \$4.1 million for all three properties. The carrying amount of the properties as of June 30, 2014 was \$4.0 million and has not been written down for any impairment as fair value is not the basis for impairment under governmental accounting standards. Since Judge Klein's oral decision rendered on October 30, 2014, Franklin has filed a notice of appeal to request a stay to the confirmation of the plan and a number of post-ruling motions (Note 17).

On October 30, 2014, the City received an oral decision on the Proposed Plan by the Court and currently awaits a signed confirmation order enabling it to move forward to exit bankruptcy. The plan for the adjustment of the City's debts when confirmed by the Court provides for material modifications of the City's obligations with respect to the 2009 Bonds and related properties and could include a schedule of payments substantially different than the originally scheduled debt service (Note 17).

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

The 2007 Bonds were issued in two series: Series A (Tax-Exempt) in the amount of \$36,500,000 and Series B (Taxable) in the amount of \$4,270,000 on November 29, 2007. The City defaulted on these bonds in May 2012, and continued to be in default at June 30, 2014. The bonds became subject to acceleration and repayment in 14 equal semiannual installments 180 days after tender of the bonds to the liquidity provider. These payments have been made to bondholders by the bond insurer Assured Guaranty resulting in a current liability to the bond insurer. As of June 30, 2014, 2007 Bonds from Series A totaling \$26,075,000 remain outstanding with installments of principal, under acceleration, ranging from \$2,605,000 to 2,610,000 due every six months through and including March 1, 2019. As of June 30, 2014 2007 Bonds for Series B bonds totaling \$2,860,000 remain outstanding with installments of principal, under acceleration, of 275,000 to 280,000, due every six months through and including March 1, 2019, with one remaining payment due September 1, 2019 due to the timing of the final tender.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

***B. Governmental Activities, Continued***

**Lease Revenue Bonds, Continued**

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

**Variable Rate Demand Lease Revenue Bonds 2007 Series A and Taxable 2007 Series B, Continued**

The 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 to the Authority (the "Lease Payments") pursuant to a Lease Agreement dated as of November 1, 2007 (the "Lease") between the SPFA, as lessor, and the City, as lessee. Lease Payments are to be made by the City for the right to use and occupy the Property.

The 2007 Bonds liquidity is provided under a Standby Bond Purchase Agreement between the City of Stockton, the SPFA, Wells Fargo Bank, National Association and Dexia Credit Local (the "Liquidity Provider"). The 2007 Bonds are insured and have a reserve fund surety provided by Assured Guaranty.

In August 2012, Dexia terminated the Standby Bond Purchase Agreement effective September 30, 2012 as a result of the City defaulting on the 2007 Bonds. Dexia is no longer obligated to purchase Bonds under the Standby Bond Purchase Agreement. The City has been informed that Assured Guaranty has purchased all of the 2007 Bonds from Dexia and now is the sole holder of the 2007 Bonds.

Prior to default, the Bonds interest rate was based on a weekly rate established by the remarketing agent based on prevailing market conditions, interest is paid monthly. The maximum interest rate allowable on the bonds is 12% per annum for the 2007 Bonds for Series A and 15% per annum for the 2007 Bonds for Series B. As of June 30, 2014, the interest rate was 6.25%, which was both high and low rate during the year.

On February 29, 2012 the City notified the bondholders that it would default on the 2007 Bonds. Funds with the Trustee were used to make the monthly debt service payments through April 2012. In May 2012, the City defaulted on the lease payments and the Bond Trustee pursued the City in litigation ultimately taking possession of the building (Note 17). The scheduled annual debt service requirements to maturity have been increased by the amount of insurance proceeds received from the bond insurers. The cumulative defaulted debt service payments made to the bondholders by the insurer prior to June 30, 2014. Insurance proceeds received to date, through June 30, 2014 of \$14,925,399 and \$1,467,267 for the Series A and B, respectively, have been reported in the maturity schedule in 2015 as due on demand in the principal portions in the maturity table. These payments also accrue interest at prime rate plus 3% (6.25% at June 30, 2012) from the time amounts are paid. As of June 30, 2014, accrued interest on bond insurance proceeds is \$1,278,758.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

***B. Governmental Activities, Continued***

**Lease Revenue Bonds, Continued**

**Variable Rate Demand Lease Revenue Bonds 2007 Series A and Taxable 2007 Series B, Continued**

The City has negotiated a proposed settlement with Assured Guaranty which was submitted in the City's Plan of Adjustment. The plan for the adjustment of the City's debts when confirmed by the Court provides for material modifications of the city's obligations with respect to the 2007 Series A and B Bonds and could include a schedule of payments substantially different than the originally scheduled debt service (Note 17).

**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, 2014, \$1,055,000 remains outstanding with installments of principal ranging from \$35,000 on September 1, 2014 to \$75,000 on September 1, 2033, with interest rates ranging from 3.50% to 4.375%, and a final maturity date of September 1, 2033. The principal amount outstanding at June 30, 2014 is reported net of unamortized discount of \$8,616.

The 2003 COPs, Series B were issued in the amount of \$12,140,000. As of June 30, 2014, \$11,210,000 remains outstanding with installments of principal ranging from \$340,000 on September 1, 2014 to \$870,000 on September 1, 2033, with interest rates ranging from 4.52% to 5.28%, and a final maturity date of September 1, 2033.

The City has pledged lease payments, to the SPFA to repay the outstanding COPs. The General Fund is obligated to make lease payments and has the right to reimbursement of the lease payments made from Successor Agency tax increment revenue (20% set-aside). This pledge is subordinate to the pledge of Agency tax increment revenue to the 2006 Series C SNI Bonds (Note 8D). The Leased Premises collectively consists of the real property comprising 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. Lease 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 Lease Payments are payable from any source of legally available funds of the City, which includes the General Fund. Both Series A and Taxable Series B for the 2003 COPs are insured by Ambac and have a cash reserve fund.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

**B. Governmental Activities, Continued**

**Certificates of Participation, Continued**

**Certificates of Participation Series 2003A and Taxable Series 2003B (the "2003 COPs"), Continued**

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 or the City may waive such payments. 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, 2014 there are no unpaid amounts by the Successor Agency to the City. For the year ended June 30, 2014, lease reimbursements were \$989,681. The 20% Agency Housing Set-Aside for the year ended June 30, 2014 was \$2,518,185. The City is current on the payment of the 2003 COPs. However in September 2013, the funds provided by the pledge were insufficient to make full payment and usage of the reserve funds occurred. While partial reimbursement of this underfunded reserved has occurred in fiscal year 2014-15, underfunding still existed in the amount of \$234,752 at June 30, 2014.

The City has negotiated a proposed settlement with Ambac which was submitted in the City plan of adjustment. The plan for the adjustment of the City's debts when confirmed by the Court provides for material modifications of the City's obligations with respect to the 2003 Series A and B COPs and could include a schedule of payments substantially different than the originally scheduled debt service (Note 17).

**Pension Obligation Bonds**

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

The 2007 POBs were issued on March 26, 2007 to refinance the obligation of the City to make payments to the California Public Employees Retirement System ("CalPERS") for retirement benefits accruing to its employees and retirees. The 2007 POBs for Series A were issued in the amount of \$96,985,000. As of June 30, 2014, bonds totaling \$93,445,000 are due in installments of principal ranging from \$1,800,000 on September 1, 2014 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. As of June 30, 2014, 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.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

***B. Governmental Activities, Continued***

**Pension Obligation Bonds**

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

The obligation of the City to pay principal and interest on the Series 2007 POB's 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 Indenture, the City is obligated to deposit with the Trustee the payment of debt service on the Series 2007 POB's for the current fiscal year no later than August 15 of each year, commencing August 15, 2007. In August 2012, the City defaulted on the 2007 POBs for both Series A and B and continues to be in default at June 30, 2014 (Note 17).

Prior to default, the City made the debt service payments on the 2007 POB's from various funds of the City. Approximately 83% of the obligation was paid from the General Fund and approximately 17% was paid from other than General Fund sources though the percentage could vary from year to year. No funds are specifically pledged for repayment of the 2007 POBs.

The scheduled annual debt service requirements to maturity have been increased by the amount of insurance proceeds received from the bond insurers on defaulted debt service payment made to the bondholders by the insurer prior to June 30, 2014. The cumulative insurance proceeds received through June 30, 2014 were \$12,775,004 for the Series A and \$3,261,796 for the Series B and are due on demand. These payments also accrue interest at prime rate plus 3% (6.25% at June 30, 2014) from the time amounts are paid. Accrued interest on the insurance proceeds as of June 30, 2014 was \$1,113,720.

The City has negotiated a proposed settlement with Assured Guaranty which was submitted with the City's Plan of Adjustment. The plan for the adjustment of the City's debts when confirmed by the Court provides for material modifications of the City's obligations with respect to the 2007 POBs and could include a schedule of payments substantially different than the originally scheduled debt service (Note 17).

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**8. LONG-TERM LIABILITIES, Continued**

**B. Governmental Activities, Continued**

**Annual Debt Service Requirements to Maturity**

Year Ending June 30,	Lease Revenue Bonds		Certificates of Participation		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 23,980,278	\$ 9,390,100	\$ 375,000	\$ 613,471	\$ 18,950,520	\$ 6,631,177
2016	6,815,000	4,087,974	390,000	596,539	2,035,000	6,532,617
2017	6,875,000	3,667,412	410,000	578,522	2,280,000	6,421,722
2018	6,940,000	3,243,180	430,000	560,186	2,545,000	6,297,719
2019	7,005,000	2,813,966	445,000	539,382	2,830,000	6,155,290
2020-2024	7,445,000	11,760,827	2,595,000	2,324,191	19,125,000	27,982,791
2025-2029	9,720,000	9,292,741	3,330,000	1,567,105	22,745,000	22,136,841
2030-2034	11,130,000	5,981,725	4,290,000	581,058	31,810,000	14,805,854
2035-2039	13,155,000	2,225,125	-	-	36,600,000	4,348,107
2040-2041	-	-	-	-	-	-
Total	<u>\$ 93,065,278</u>	<u>\$ 52,463,050</u>	<u>\$ 12,265,000</u>	<u>\$ 7,360,454</u>	<u>\$ 138,920,520</u>	<u>\$ 101,312,118</u>

The amounts in the annual debt service requirements to maturity schedule are the scheduled debt service under the bond indentures. The City defaulted subsequent to June 30, 2012 on the 2007 POB's after filing for bankruptcy protection under chapter 9. The non-current portion of principal on the 2007 POB's of \$119,970,000 continues to be classified as noncurrent in the City's government-wide financial statement as the creditor, under chapter 9, loses its right to demand repayment of the debt in accordance with the stay in bankruptcy unless granted an order for relief from the stay.

The City defaulted on the 2009A and 2007 Series A and B Lease Revenue Bonds prior to the end of the fiscal year 2012 but before the filing for chapter 9 bankruptcy protections. The principal portion of the scheduled lease payments that are due after fiscal year 2014 of \$58,250,000 continue to be classified as non-current in the City's government-wide financial statements because of protections under the debt limit of the State of California Constitution that prevents immediate acceleration of the future rent due in the event rent is not paid when due by the City.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

**B. 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 (HUD) to complete redevelopment projects. As of June 30, 2014, the first loan totaling \$600,000 has notes remaining of \$600,000 due to be paid through August 1, 2014 with an interest rates of 6.17%; the second loan totaling \$1,515,000 has notes due in installments ranging from \$175,000 to \$260,000 and are to be paid August 1, 2014 through August 1, 2020, with interest rates ranging from 6.17% to 6.62%; the third loan totaling \$4,575,000 has notes due in installments ranging from \$645,000 to \$890,000 and are to be paid August 1, 2015 through August 1, 2020, with interest rates ranging from 5.07% to 5.53%; the fourth loan totaling \$9,770,000 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 4.14% to 5.25%. Repayment of the loans is made from program income received under the City's housing loans program.

Certain obligations of the City of Stockton, such as the Notes Payable listed below, are secured by revenues, which are legally restricted and payable independently of funds available in the City's General Fund. The City does not expect repayment of these obligations to be directly impacted by the chapter 9 filing.

Loan Payable -- San Joaquin Council of Governments Loan #1

In 2009 the City entered into a loan agreement with the San Joaquin Council of Governments (SJCOG) through an advance of future Measure K maintenance funds in the amount of \$6,543,238 to expand the City's street maintenance program. As of June 30, 2014, the outstanding balance is \$0. The final installment of principal was repaid on March 31, 2014.

Loan Payable -- San Joaquin Council of Governments Loan #2

In 2009 the City entered into a loan agreement with the San Joaquin Council of Governments (SJCOG) through an advance of future Measure K Street maintenance funds in the total amount of \$863,589 to be used for preliminary engineering design of the Otto Drive Interstate I-5 interchange. As of June 30, 2014, the outstanding balance is \$0. The outstanding principal balance of \$646,793 was paid in full on March 31, 2014.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*B. Governmental Activities, Continued*

**Annual Debt Service Requirements to Maturity**

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	
	<u>U.S. Dept. of Housing &amp; Urban Development and California Housing Finance Agency</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,335,000	\$ 824,098
2016	1,365,000	754,835
2017	1,400,000	685,400
2018	1,455,000	611,840
2019	1,515,000	533,799
2020-2024	8,775,000	1,341,565
2025-2029	615,000	16,144
Total	<u>\$ 16,460,000</u>	<u>\$ 4,767,681</u>

**Capital Lease Obligations**

The City is current on its payment of Capital Lease Obligations. The City has proposed to accept the leases under the proposed Plan of Adjustment subject to approval by the Court.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

**B. Governmental Activities, Continued**

**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 Bank 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	(476,768)
Total	<u>\$ 529,024</u>

**Civic Auditorium HVAC System - (Lease #2)**

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

The assets were completed at the end of June 2012 and were capitalized as follows:

Machinery and Equipment	\$ 1,861,906
Less: Accumulated depreciation	(193,949)
Total	<u>\$ 1,667,957</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**8. LONG-TERM LIABILITIES, Continued**

**B. Governmental Activities, Continued**

**Citywide Communications System - (Lease #3)**

On June 24, 2008 Resolution 08-0261 approved the execution of a tax exempt lease through Key Government Finance in the amount of \$2,430,632 to implement a Citywide Unified Communication Environment. The tax-exempt lease has annual lease payments due on August 1 through 2014 with an interest rate of 4.615%. This lease was paid in full in August 2014.

The assets acquired through the capital lease are as follows:

Machinery and Equipment	\$ 441,334
Less: Accumulated depreciation	(441,334)
Total	<u>\$ -</u>

**Fire Pumper Trucks - (Lease #4)**

On January 24, 2012 Resolution 2012-01-24-1504 approved the execution of a tax exempt lease through Osh Kosh 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, August 1 through 2014 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	(166,347)
Total	<u>\$ 1,705,057</u>

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, 2014, the future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Year Ending June 30,	Capital Lease #1		Capital Lease #2		Capital Lease #3		Capital Lease #4	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 64,519	\$ 23,936	\$ 186,246	\$ 62,533	\$ 310,663	\$ 14,337	\$ 164,509	\$ 48,792
2016	67,035	21,420	195,866	52,913	-	-	169,937	43,363
2017	69,649	18,806	205,983	42,796	-	-	175,545	37,755
2018	72,364	16,090	216,622	32,157	-	-	181,338	31,962
2019	75,186	13,269	227,810	20,969	-	-	187,323	25,978
2020-2024	287,000	22,592	239,577	9,202	-	-	599,881	40,020
Total	<u>\$ 635,753</u>	<u>\$ 116,113</u>	<u>\$ 1,272,104</u>	<u>\$ 220,570</u>	<u>\$ 310,663</u>	<u>\$ 14,337</u>	<u>\$ 1,478,533</u>	<u>\$ 227,870</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

***B. Governmental Activities, Continued***

**State Animal Control Obligation**

The City claimed \$2.9 million from July 1, 1998 through June 30, 2007, in unreimbursed State mandates from the State of California ("state"), excluding July, 1 2003 through 2005 in Animal Adoption Program costs. Upon state audit of the mandated cost claims, the State disallowed \$2.5 million of the \$2.9 million costs claimed but the City had received \$2.1 million for the period mentioned above. The State findings were that the remaining net of \$1.7 million (with fiscal year 2010-11 reduction of \$238,000) must be repaid to the State and agreed the City will receive credit for repayment by offsetting future State reimbursements for mandated costs. The City obligation was adjusted during the year by \$187,386. The balance of the obligation at June 30, 2014 was \$1,269,063.

**Settlement Obligation**

On September 30, 2003, the City of Stockton, upon Resolutions 03-0588 and 03-0589, acquired the properties known as the Marina Towers through the eminent domain process. The properties were eventually rehabilitated and are currently part of the Banner Island Ballpark.

Subsequent to these acquisitions, lawsuits were filed in the Superior Court of San Joaquin regarding the legality of the eminent domain process undertaken to acquire these properties. On June 8, 2010 the City entered into an all-inclusive settlement of both cases. This settlement, passed by Resolution 10-0173, requires that payments of \$312,500 per year be made to Marina Towers, LLC. These payments will be made over the course of eight years for a total of \$2,500,000.

The first payment was made in June 2010. The liability was reported in the City's government-wide financial statements at the present value of the remaining payments in the amount of \$1,581,094, discounted at 5.1%, as of June 30, 2013. In July 2012, the City defaulted on these payments and Marina Towers filed a claim in bankruptcy in the amount of \$1.875 million (Note 17). Subsequently the City Council, on September 24, 2013, approved a settlement agreement with Marina Towers, LLC that authorized the transfer of specific surplus property of the City with an estimated market value of \$973,500 and carrying value of \$3.9 million in exchange for the settlement of their claim of \$1.875 million and a release and transfer of fee title to the City on property that covers the right field of the Stockton Ballpark. The transfer of properties was completed and a loss of \$2.3 million was recorded. No obligation remains at June 30, 2014.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**8. LONG-TERM LIABILITIES, Continued**

**C. Business-Type Activities**

Summary of changes in business-type activities long-term debt for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current	Non-Current
<b>Water Utility</b>						
California Statewide Community Development Authority Revenue Bonds						
Series 2002A (Water System Capital Improvements)	\$ 8,760,000	-	\$ (700,000)	\$ 8,060,000	\$ 735,000	\$ 7,325,000
Deferred amounts on refunding	(165,379)	-	16,818	(148,561)	(16,818)	(131,743)
Unamortized discount	(139,821)	-	14,219	(125,602)	(14,219)	(111,383)
Stockton Public Financing Authority Revenue Bonds						
Series 2005A (Water System Capital Improvements)	24,230,000	-	-	24,230,000	-	24,230,000
Unamortized premium	100,167	-	(4,468)	95,699	4,468	91,231
Stockton Public Financing Authority Revenue Bonds						
Series 2009A (Delta Water Project)	15,540,000	-	(3,160,000)	12,380,000	3,285,000	9,095,000
Series 2009B (Delta Water Project)	154,550,000	-	-	154,550,000	-	154,550,000
Unamortized premium	1,017,337	-	(40,424)	976,913	40,424	936,489
Stockton Public Financing Authority Revenue Bonds						
Series 2010A (Delta Water Project)	55,000,000	54,135,000	(55,000,000)	54,135,000	160,000	53,975,000
Unamortized premium	-	3,356,920	(82,887)	3,274,033	20,953	3,253,080
Note payable						
Federal Drought Relief Act Loan	331,060	-	(78,789)	252,271	82,728	169,543
<b>Total Water Utility</b>	<b>259,223,364</b>	<b>57,491,920</b>	<b>(59,035,531)</b>	<b>257,679,753</b>	<b>4,297,536</b>	<b>253,382,217</b>
<b>Wastewater Utility</b>						
Stockton Public Financing Authority Certificates of Participation						
Revenue COP 1998 Series A (Wastewater Projects)	75,665,000	-	(2,565,000)	73,100,000	2,705,000	70,395,000
Refunding COP 2003 Series A (Wastewater Projects)	8,835,000	-	(665,000)	8,170,000	685,000	7,485,000
Deferred amounts on refunding	(2,564,257)	-	252,222	(2,312,035)	(252,222)	(2,059,813)
Unamortized discount	(350,374)	-	27,297	(323,077)	(27,296)	(295,781)
<b>Total Wastewater Utility</b>	<b>81,585,369</b>	<b>-</b>	<b>(2,950,481)</b>	<b>78,634,888</b>	<b>3,110,482</b>	<b>75,524,406</b>
<b>Central Parking District</b>						
Stockton Public Financing Authority Lease Revenue Bonds						
Series 2004 (Parking and Capital Projects)	31,280,000	-	(410,000)	30,870,000	470,000	30,400,000
Unamortized discount	(50,818)	-	2,420	(48,398)	(2,420)	(45,978)
Liability related to Insurance Proceeds	600,000	2,052,554	-	2,652,554	2,652,554	-
<b>Total Central Parking District</b>	<b>31,829,182</b>	<b>2,052,554</b>	<b>(407,580)</b>	<b>33,474,156</b>	<b>3,120,134</b>	<b>30,354,022</b>
<b>Downtown Marina</b>						
State DBAW						
Construction & Planning Loan	10,870,821	-	-	10,870,821	615,631	10,255,190
<b>Total Downtown Marina</b>	<b>10,870,821</b>	<b>-</b>	<b>-</b>	<b>10,870,821</b>	<b>615,631</b>	<b>10,255,190</b>
<b>Total</b>	<b>\$ 383,508,736</b>	<b>\$ 59,544,474</b>	<b>\$ (62,393,592)</b>	<b>\$ 380,659,618</b>	<b>\$ 11,143,783</b>	<b>\$ 369,515,835</b>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*C. 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 XIII D, Section 6 of the California Constitution, which provides that the Water Fund may only be used for the purposes of the water enterprise, and may not be used for general governmental purposes. The City is in compliance with its covenants in connection with its obligations, including covenants with respect to the current rates and charges, and the Water Fund has revenues sufficient to meet the operation and maintenance costs of the water enterprise, scheduled debt service and required debt service coverage. The City does not expect the chapter 9 filing or related actions by the City to directly impact repayment of the bonds.

Note Payable

In August 1977, the City accepted a Federal Drought Relief Act loan to finance drought relief projects for the Fund. The note bears interest at 5.0% per annum with payments due each July ending July 2017. The note is repayable from the net revenue of the Water Fund. The balance as of June 30, 2014 was \$252,271.

California Statewide Community Development Authority Revenue Bonds Series 2002A

On April 16, 2002, the City participated in the California Statewide Community Development Authority (CSCDA) Water and Wastewater Revenue Bond (Pooled Financing Program), Series 2002A, (the "2002A Bonds") which issued 2002A Bonds in the amount of \$14,280,000 for the City. As of June 30, 2014, there are \$8,060,000 of the 2002A Bonds are outstanding with installments of principal ranging from \$735,000 on October 1, 2014 to \$1,090,000 on October 1, 2022, with interest rates ranging from 4.500% 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 on the loss of refunding is to be reported as deferred outflow of resources in the amount of \$148,561. In addition, bond issuance costs, other than prepaid insurance in the amount of \$132,307, were expensed in the year incurred. A prior period restatement for bond issuance costs as of July 1, 2013, other than prepaid insurance in the amount of \$444,778 was recorded as a reduction of net position in the Water Fund.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*C. 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, 2014, there are \$24,230,000 2005A Bonds remaining with installments of principal ranging from \$150,000 to \$2,350,000 beginning October 1, 2017 through October 1, 2035 and interest rates ranging from 4.0% to 5.0%. Net revenue of the water fund are pledged towards repayment of the 2005A Bonds. The 2005A Bonds were issued to finance various water system capital improvement projects. The principal amount due is reported net of unamortized premium of \$95,699.

**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, 2014 there are 2009A Bonds are outstanding in the amount \$12,380,000 with installments of principal due ranging from \$3,285,000 to \$5,655,000 beginning October 1, 2014 through October 1, 2016 and with interest rates ranging from 4.0% to 5.0%. The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. Net revenue of the water fund are pledged towards repayment of the 2009A Bonds.

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

The 2009 Water Revenue Bonds, Series B (Taxable Build America Bonds, Delta Water Supply Project) (the "2009B Bonds") were issued in the amount of \$154,550,000 by the SPFA on August 11, 2009. The 2009B Bonds were issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. The SPFA receives a cash subsidy from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on or about each Interest Payment Date. The amount of the subsidy received for the year ended June 30, 2014 was \$1,927,788 net of a reduction due to sequestration. At June 30, 2014 the federal government owed but had not which has been included as receivable in due from other Governments. These funds were subsequently received in November 2014. As of June 30, 2014, there are \$154,550,000 in 2009B Bonds outstanding remaining with installments of principal ranging from \$3,835,000 to \$13,570,000 beginning October 1, 2017 through October 1, 2038, and interest rates ranging from 6.09% to 7.942%. The 2009B Bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. The principal amount due is reported net of unamortized premium of \$976,913. Net revenue of the water fund are pledged towards repayment of the 2009B Bonds.

The City was notified that under sequestration (the Federal government's attempt to reduce spending) that subsidy payment would be reduced by 8.7% for the federal fiscal year, starting October 1, 2013.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*C. Business-Type Activities, Continued*

Water Utility, Continued

Stockton Public Financing Authority Revenue Bonds Series 2009B, Continued

However, the payment received for that date showed a reduction of only 7.65%. Notice was received that reductions for the year starting October 1, 2014 would be 7.2%. It is anticipated that future subsidy payments will be subject to similar sized reductions. Should this reduction continue at this level, net system revenues are projected to maintain coverage requirement (see Debt Covenants below).

Stockton Public Financing Authority Revenue Bonds Series 2010A

The 2010 Variable Rate Demand 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 a weekly mode. Due to an inability to successfully obtain a new Letter of Credit (LOC) facility while in chapter 9 bankruptcy, on November 26, 2013, the 2010A Bonds were remarketed in a long-term, fixed rate mode and is accounted for as a current refunding in the amount of \$54,135,000 at a premium of \$3,356,920 due in annual installments of principal ranging from \$160,000 to \$16,500,000 beginning October 1, 2014 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 \$3,274,033.

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, 2014, total principal and interest paid was \$16,193,940 and net revenues were \$19,228,238. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds is \$537,964,002.

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 both the senior and subordinate bonds is 115% of net system revenues which are pledged toward repayment of all revenue 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, 2014 at each measurement period.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

**C. Business-Type Activities, Continued**

**Water Utility, Continued**

**Debt Covenants, Continued**

The Revenue Bonds contain various subjective acceleration clauses in an event of default due to material adverse changes, such as filing for bankruptcy. In accordance with GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the classification of the borrowings in the statement of net positions are required to be reclassified to current liabilities unless:

1. The creditor has waived or subsequently lost the right to demand repayment for more than one year from the date of the financial statements.
2. For long-term obligations containing a grace period within which the debtor may cure the violation, it is probable that the violation will be cured within that period, thus preventing the obligation from becoming callable.

The City has not received from its bond trustee a waiver of its right to call the debt or to act upon the event of default. Management has evaluated with its bankruptcy counsel, through the date of this report, the relevant facts and circumstances surrounding the likelihood that the trustee will exercise their rights under the subjective acceleration clauses. Management believes it to be unlikely that the trustee will exercise their rights as all debt service payments for the Fund have been met, been made timely, and the trustee has not exercised their rights since the City filed for bankruptcy over one year ago which was prior to the date of the financial statements. Accordingly, this obligation has been classified as a long-term liability in the accompanying statement of net position.

In the event the Trustee exercises its rights to acceleration, their claims would be subject to the automatic stay in the U.S. Bankruptcy court.

**Wastewater Utility**

The certificates of participation of the Wastewater Utility are secured by and payable from certain revenues of the City's wastewater enterprise fund (the "Wastewater Fund"), amounts that are derived from "property related fees" collected by the City for wastewater service. Application of amounts in the Enterprise Fund is governed by the requirements of Article XIID, Section 6 of the California Constitution, which provides that the Enterprise Fund may only be used for the purposes of the wastewater enterprise, and may not be used for general governmental purposes. The City is in compliance with its covenants in connection with its obligations, including covenants with respect to the current rates and charges, and the Wastewater Fund has revenues sufficient to meet the operation and maintenance costs of the wastewater utility, scheduled debt service and required debt service coverage. The City does not expect the chapter 9 filing or related actions by the City to directly impact repayment of the bonds.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*C. Business-Type Activities, Continued*

**Wastewater Utility, Continued**

Certificates of Participation

Revenue Certificates of Participation (COP) 1998 Series A ("1998 COPS") were issued in the amount of \$101,650,000 by the SPFA on February 3, 1998. As of June 30, 2014, certificates totaling \$73,100,000 are due in installments ranging from \$2,705,000 to \$7,325,000 through September 1, 2029, with interest rates ranging from 5.125% to 5.2% on the certificates outstanding. The proceeds of the 1998 issue were used to finance the design and construction of a sewer interceptor, to make improvements and modifications to the southern industrial sewer trunk line, and to refund the 1995 COP issue that financed the design, improvements and modifications to the regional wastewater control facilities. Net revenues of the Wastewater Fund are pledged towards repayment of the 1998 COPS. The unamortized loss on refunding of debt was previously reported as a contra liability in long-term debt. With the implementation of Government Accounting Standard Board (GASB) Statement No. 65, the balance on the loss of refunding is reported as deferred outflow of resources in the amount of \$2,312,035. In addition, COP issuance costs, other than prepaid insurance in the amount of \$202,371, have been expensed as a prior period adjustment (Note 19). As of July 1, 2013 beginning net position of the Wastewater Fund was reduced by \$543,548.

Subsequent to June 30, 2014, COPS were redeemed on November 24, 2014 as part of a current refunding Wastewater Revenue Refunding Bonds, Series 2014 (1998 Wastewater Project and 2003 Wastewater Project) that also refunded the following issue (Note 16).

Refunding Certificates of Participation (COP) 2003 Series A (Wastewater System Project) (the "2003A COPS") were issued in the amount of \$14,135,000 by the SPFA on May 21, 2003. As of June 30, 2014 certificates totaling \$8,170,000 are due in annual installments of principal ranging from \$685,000 to \$965,000 through September 1, 2023, with interest rates ranging from 3.375% to 4.25% on the certificates outstanding. The COPS were issued to advance refund the 1993 certificates of participation. Repayment of the COPS is from a pledge of net revenues of the Wastewater Fund. The principal amount due is reported net of the unamortized discount of \$323,077.

Pledge Revenues

The City has pledged future net revenues from the Wastewater Fund for the repayment of the COPS. For the year ended June 30, 2014, the City paid total principal and interest of \$7,373,138 from net revenues in fiscal year 2014 were \$21,057,331. At June 30, 2014, the total principal and interest remaining to be paid on the Wastewater COPS is \$118,855,623.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

**C. Business-Type Activities, Continued**

**Wastewater Utility, Continued**

**Debt Covenants**

The COPs all require the maintenance of a financial covenant of minimum debt service coverage (DSC) ratio. The minimum DSC ratio for both COPs is 125% of net system revenues which are pledged toward repayment of all COPs. 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, 2014 at each measurement period.

Wastewater utility rates have been increased through a Proposition 218 vote that passed in August 2010. Rates were raised to cover increased operating costs and to meet required coverage ratios. The rate increases are phased in over a five year period beginning in fiscal year 2010-11 and include an annual adjustment mechanism to account for inflation. The Wastewater Fund has met its debt service coverage ratio for fiscal year 2014 at each measurement period.

**Central Parking District**

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

The 2004 Parking Bonds were issued in the amount of \$32,785,000 by the SPFA on June 25, 2004. As of June 30, 2014, the 2004 Parking Bond totaling \$30,870,000 are due in annual installments of principal ranging from \$470,000 on September 1, 2014 to \$2,950,000 on September 1, 2034, with interest rates ranging from 4.25% to 5.25%, and a final maturity date of September 1, 2034. The 2004 Parking Bonds were issued to finance the construction of the Stockton Events Center Parking Structure, the Edward S. Coy Parking Garage, and other parking facilities within the Central Parking District (the "District").

The 2004 Parking Bonds are special limited obligations of the SPFA payable from and secured by Revenues, consisting primarily of lease payments to be made by the City, as lessee, to the SPFA, as lessor, pursuant to a Lease Agreement dated as of June 1, 2004. The lease payments are made in exchange for the right to use and occupy 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.

The City utilizes net revenue from the Central Parking District fund to make debt service payments on the 2004 Parking Bonds. The District also maintains surface parking and parking meters throughout the District and levies a special tax on properties within the District pursuant to the Mello-Roos Community Facilities District Act of 1982. Under the existing documents, the special tax is not pledged as security for the 2004 Parking Bonds. The leased properties by themselves do not generate net revenue sufficient to cover debt service on the 2004 Parking Bonds requiring the use of District revenues collected from the other facilities.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*C. Business-Type Activities, Continued*

**Central Parking District, Continued**

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

The principal amount due is reported net of the unamortized discount of \$48,398. In March 2012, the City defaulted on the 2004 Parking Bond lease payments and continues to be in default at June 30, 2014. The Bond Trustee pursued the City in litigation in fiscal year 2013 and was successful in taking possession of the City's three parking garages (Note 17).

Under the City's default, debt service has been paid from the funded cash reserves through March 30, 2013. In March 2013, bond insurance proceeds were used in conjunction with reserves to pay debt service due March 31, 2013. The cumulative insurance proceeds received through June 30, 2014 was \$2,652,554, are due on demand, and are reflected as addition to the principal portion in the maturity table in 2015.

The City has negotiated a proposed settlement with NCFG which was submitted in the City's Plan of Adjustment. The signed plan for the adjustment of the City's debts confirmed by the Court provides for material modifications of the City's obligations with respect to the 2004 Parking Bonds and could include a schedule of payments substantially different than the originally scheduled debt service (Note 17).

**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 application was made for a construction loan to develop a small craft harbor facility. Engineering work began in fiscal year 2006, construction of the facility started during the fiscal year ended June 30, 2009, and the project was completed in 2011. The principal remaining to be paid on both the planning and construction loans as of June 30, 2014 is \$10,870,821.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**8. LONG-TERM LIABILITIES, Continued**

**C. Business-Type Activities, Continued**

**Downtown Marina, Continued**

**Construction and Planning Loans, Continued**

The construction note was scheduled to be repaid under a 30-year repayment schedule at 4.5% interest beginning August 2011. Repayment of the note is secured by a pledge of the gross revenues of the Downtown Marina, which have been insufficient to pay the full debt service. The loan provides that, subject to the requirements of Article XVI, Section 18 of the California Constitution (the "Debt Limit"), the City will make up any shortfall in debt service after application of Marina revenues. The Marina does not generate sufficient annual revenues to cover operational costs (net of debt service). The City has provided an annual subsidy to the operator to cover this shortfall. Under the City's chapter 9 bankruptcy filing and pendency plan budget for fiscal year 2012-13, the City discontinued the payment of the required debt service on August 1, 2012 (Note 17) but has continued the subsidy to the operator. The City does not believe the requirements of the Debt Limit have been satisfied for DBAW to enforce the payment, by the City's General Fund to make payments on the loan.

The City has negotiated a proposed settlement with DBAW as to the treatment of this obligation in bankruptcy which was submitted with the Plan of Adjustment. The plan for the adjustment of the City's debts when confirmed by the Court provides for material modifications of the City's obligations with respect to the obligation and could include a schedule of payments substantially different than the originally scheduled debt service (Note 17).

**Annual Debt Service Requirements to Maturity**

Year Ending June 30,	Water Utility		Wastewater Utility		Central Parking District	
	Revenue Bonds and		Certificates of		Lease	
	Federal Drought Relief Act Loan		Participation		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,262,728	\$ 16,622,177	\$ 3,390,000	\$ 3,985,729	\$ 3,122,554	\$ 1,566,529
2016	4,456,865	16,425,708	3,555,000	3,819,526	530,000	1,545,279
2017	6,677,678	16,151,276	3,730,000	3,642,751	600,000	1,520,516
2018	4,955,000	15,841,413	3,920,000	3,457,154	670,000	1,491,941
2019	5,165,000	15,543,914	4,115,000	3,264,129	745,000	1,459,359
2020-2024	29,700,000	72,263,083	23,815,000	13,067,266	5,080,000	6,624,036
2025-2029	37,795,000	60,783,049	31,420,000	6,158,620	7,975,000	4,949,769
2030-2034	48,815,000	45,212,024	7,325,000	190,450	11,850,000	2,418,828
2035-2039	79,780,000	23,950,961	-	-	2,950,000	77,438
2040-2044	32,000,000	1,563,125	-	-	-	-
Total	\$ 253,607,271	\$ 284,356,730	\$ 81,270,000	\$ 37,585,625	\$ 33,522,554	\$ 21,653,695

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**8. LONG-TERM LIABILITIES, Continued**

**C. Business-Type Activities, Continued**

Year Ending June 30,	Downtown Marina Construction and Planning Loan	
	Principal	Interest
2015	\$ 615,631	\$ 1,473,434
2016	212,677	472,024
2017	221,170	463,531
2018	232,646	452,055
2019	243,354	441,347
2020-2024	1,394,116	2,029,389
2025-2029	1,745,148	1,678,357
2030-2034	2,186,898	1,236,607
2035-2039	2,738,947	684,558
2040-2044	1,280,234	89,134
Total	<u>\$ 10,870,821</u>	<u>\$ 9,020,436</u>

The amounts in the annual debt service requirements to maturity schedule are the scheduled debt service under the bond indentures. The City defaulted on the 2004 Parking Bonds prior to the end of the fiscal year 2012 but before the filing for chapter 9 bankruptcy protections. The principal portion of the scheduled lease payments that are due after fiscal year 2015 of \$30,400,000 are classified as noncurrent in the City's government-wide and proprietary funds financial statements because of protections under the debt limit of the State of California Constitution that prevents acceleration of the future rent due in the event rent is not paid when due by the City.

**D. Fiduciary Fund**

Summary of changes in fiduciary fund long-term liabilities for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current	Non-Current
<b>Successor Agency to the Redevelopment Agency:</b>						
Revenue Bonds:						
Series 2004 (Stockton Events Center-Arena)	\$ 45,135,000	\$ -	\$ (520,000)	\$ 44,615,000	\$ 590,000	\$ 44,025,000
2006 Series A (Redevelopment Projects)	52,105,000	-	(890,000)	51,215,000	1,160,000	50,055,000
2006 Series B (Redevelopment Projects)	980,000	-	(980,000)	-	-	-
2006 Series C (Housing Projects)	23,880,000	-	(500,000)	23,380,000	530,000	22,850,000
Unamortized premium	3,014,374	-	(126,560)	2,887,814	126,560	2,761,254
<b>Total Successor Redevelopment Agency</b>	<u>\$ 125,114,374</u>	<u>\$ -</u>	<u>\$ (3,016,560)</u>	<u>\$ 122,097,814</u>	<u>\$ 2,406,560</u>	<u>\$ 119,691,254</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*D. 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, 2014, 2004 Arena Bonds totaling \$44,615,000 are due in annual installments of principal ranging from \$590,000 on September 1, 2014 to \$4,035,000 on September 1, 2036, with interest rates ranging from 3.50% to 5.00%, and a final maturity date of September 1, 2036. The 2004 Arena Bonds are insured by National Public Finance Guaranty ("NPF") and have a cash reserve fund. The principal amount due is reported net of unamortized premium of \$1,119,337.

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 as of March 1, 2004 between the Successor Agency and the City. Lease Payments are to be made by the City for the right to use and occupy the Project and the site on which the Project is located.

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.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*D. Fiduciary Fund Activities, Continued*

**Successor Redevelopment Agency, Continued**

Prior to the dissolution of redevelopment 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 non-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 pursuant to the dissolution.

For the year ended June 30, 2014, principal and interest paid was \$2,621,346 and Successor Agency project area tax increment was \$4,471,396. Using the West end pledge and the non-pledged pro-rata share of all other tax increment, there was a shortfall in revenues needed to make the debt service payment due on September 1, 2013. The debt service reserve fund was utilized to make the full payment and was not replenished resulting in a default under the term of the Indenture. Future revenues will reimburse the reserve holdings as they are available. The total outstanding principal and interest remaining to be paid on the Revenue Bonds, Series 2004 is \$77,125,173. As mentioned above, the Successor Agency to the Redevelopment Agency of the City defaulted on this obligation effective September 1, 2013 (Note 17).

The City has negotiated a proposed settlement with NPMG as to the treatment of this obligation which was submitted with the Plan of Adjustment. The plan for the adjustment of the City's debts when confirmed by the Court provides for material modifications of the City's obligations with respect to the 2004 Arena Bonds and could include a schedule of payments substantially different than the originally scheduled debt service (Note 17).

**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, 2014, the 2006 Series A Bonds totaling \$51,215,000 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 interest rates ranging from 5.00% to 5.25%. The principal amount due is reported net of unamortized premium of \$1,768,477.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*D. Fiduciary Fund Activities, Continued*

**Successor Redevelopment Agency, Continued**

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

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 and 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 B from the SNI Bonds were issued in the amount of \$8,445,000 on July 12, 2006. As of June 30, 2014, the final principal payment of \$980,000 was made on September 1, 2013 and no bonds remain outstanding.

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, 2014, bonds totaling \$23,380,000 are due in installments of principal ranging from \$530,000 on September 1, 2014 to \$1,720,000 on September 1, 2037, with interest rates ranging from 6.15% to 6.87%.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

*D. 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.

The City does not expect the chapter 9 filing or related actions by the City to directly impact repayment of the SNI Bonds.

**Annual Debt Service Requirements to Maturity**

Year Ending June 30,	Successor Agency to the Redevelopment Agency Revenue Bonds	
	Principal	Interest
	Principal	Interest
2015	\$ 2,280,000	\$ 6,270,438
2016	2,125,000	6,163,845
2017	2,730,000	6,045,831
2018	3,750,000	5,884,910
2019	3,350,000	5,706,905
2020-2024	17,455,000	25,778,387
2025-2029	25,510,000	20,421,991
2030-2034	32,870,000	12,702,753
2035-2039	29,140,000	2,984,990
Total	<u>\$ 119,210,000</u>	<u>\$ 91,960,050</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**8. LONG-TERM LIABILITIES, Continued**

**E. 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, 2014, there were eight CFD special tax bonds, three special assessment bonds, and six revenue bonds outstanding with aggregate principal amounts payable of \$65,570,000, \$20,560,000, and \$25,770,000, respectively.

Subsequent to June 30, 2014, the City and the SPFA refunded the 2003 Mosher Assessment District Bond in order to reduce interest rates on the bonds and assessments on properties in the District (Note 18).

Conduit Debt (No City Commitment) - Revenue bonds, certificates of participation, and capital leases have been issued to provide financial assistance to public and private sector entities for the funding of mortgage loans, capital improvements to medical facilities, and refinancing of previously existing debt deemed to be in the public interest. The debt is secured by the property financed and is payable solely from payments received on the underlying assets. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the outstanding debt is not reported as liabilities in the City's basic financial statements. As of June 30, 2014, conduit debt outstanding consisted of a single series revenue bond, a certificate of participation, and a lease with an aggregate principal amount outstanding of \$14,640,630.

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

**9. 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 negotiated bargaining unit contracts that began in fiscal 2012-13 and continued through June 30, 2014. This bargaining unit contract states that all sick time accrual has no cash value upon separation from the City.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**9. 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>
Balance July 1, 2013	\$ 10,786,009	\$ 869,527	\$ 11,655,536
Additions	10,595,948	1,417,967	12,013,915
Payments	(10,790,941)	(1,417,141)	(12,208,082)
Balance June 30, 2014	<u>10,591,016</u>	<u>870,353</u>	<u>11,461,369</u>
Less: Current Portion	<u>6,478,035</u>	<u>670,033</u>	<u>7,148,068</u>
Non-Current Portion	<u>\$ 4,112,981</u>	<u>\$ 200,320</u>	<u>\$ 4,313,301</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**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, 2014 are as follows:

	General Fund	HOME Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement	Other Governmental	Total Governmental Funds
<b>Fund balances:</b>						
Nonspendable:						
Inventories	\$ 401,874	\$ -	\$ -	\$ -	\$ -	\$ 401,874
Prepaid expense	98,036	-	-	-	53,105	151,141
Principal on permanent funds	-	-	-	-	389,889	389,889
Total Nonspendable	499,910	-	-	-	442,994	942,904
Restricted for:						
DS/SC Invest-DBAW	1,100,000	-	-	-	-	1,100,000
Section 108 Loan	1,245,907	-	-	-	-	1,245,907
Community development	-	-	-	-	16,964,571	16,964,571
Debt service reserve	-	-	-	-	3,947,202	3,947,202
General government	-	-	-	2,286,403	1,129,740	3,416,143
Housing	-	-	3,130,808	-	5,081,592	8,212,400
Libraries and arts	1,204,859	-	-	582,397	9,157,772	10,945,028
Parks and recreation	-	-	-	-	5,675,073	5,675,073
Public safety	-	-	-	-	4,379,960	4,379,960
Solid waste/recycling	-	-	-	-	1,972,408	1,972,408
Streets, transit & traffic	-	-	-	-	27,127,247	27,127,247
Total Restricted	3,550,766	-	3,130,808	2,868,800	75,435,565	84,985,939
Committed for:						
Bankruptcy	30,070,139	-	-	-	-	30,070,139
General government operations	3,938,537	-	-	-	-	3,938,537
Total Committed	34,008,676	-	-	-	-	34,008,676
Assigned for:						
General government operations	3,058,719	-	-	-	-	3,058,719
Total Assigned	3,058,719	-	-	-	-	3,058,719
Unassigned:	9,750,999	-	-	-	(20,669,284)	(10,918,285)
<b>Total Fund Balances</b>	<b>\$ 50,869,070</b>	<b>\$ -</b>	<b>\$ 3,130,808</b>	<b>\$ 2,868,800</b>	<b>\$ 55,209,275</b>	<b>\$ 112,077,953</b>

**11. RETIREMENT PLANS**

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**11. RETIREMENT PLANS, Continued**

CalPERS is an agent multiple-employer agency trust, that acts as a common investment and administrative agent for participating public entities in the State of California, providing retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS benefits are payable monthly for life in an amount equal to a certain percent of the employees highest annual salary. Benefit provisions and all other requirements are established by contract with CalPERS, State statute and City ordinance. Copies of the CalPERS comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA, 95811.

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

**SAFETY PLAN:**

*Plan Description* - 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 Plans' provisions and benefits in effect at June 30, 2014, are summarized as follows:

Hire Date	Safety	
	Prior to January 1, 2013	After January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Required employee contribution rates	9.00%	11.25%
Required employer contribution rates	34.605%	34.605%

*Annual Pension Cost* - For the year ended June 30, 2014, the City's Safety Plan annual pension costs were \$18,442,345. The annual pension costs were more than the City's required and actual contributions of \$13,632,317 from positive interest earnings on the net pension asset offset by a negative adjustment to the annual required contribution due to a declining active payroll. The required contribution rates were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.30% to 14.20%; (c) inflation of 2.75%; and (d) payroll growth of 3.00%. The actuarial value of the Safety Plan's assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. The City's CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Based on the actuarial valuation dated June 30, 2011, the remaining average amortization period was 32 years for the Safety Plan.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**11. RETIREMENT PLANS, Continued**

**SAFETY PLAN, Continued:**

*Funded Status and Funding Progress* - As of June 30, 2013 the Safety Plan was 72.2% funded. The actuarial accrued liability for benefits was \$852,677,474. The actuarial value of assets was \$615,817,442 resulting in an unfunded actuarial accrued liability (UAAL) of \$236,860,032. The covered payroll (annual payroll of active employees covered by the plan) was \$44,099,710, and the ratio of the UAAL to covered payroll was 537.1%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Pension Asset* - The City prepaid its Annual Required Contributions (ARC) with proceeds from the 2007 Taxable Pension Obligation Bonds Series A and Series B (Note 8B). The City's net pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of the ARC. The pension asset is being amortized over a 30 year period. The net pension asset balance at June 30, 2014 is \$79,963,833 for the Safety Plan.

The City's annual pension cost and change in the net pension asset related to the Safety Plan for the year ended June 30, 2014, are as follows:

Annual required contribution	\$ 19,269,948
Interest on beginning net pension asset	(6,358,040)
Adjustment to the annual required contribution	5,530,437
Annual pension cost	<u>18,442,345</u>
Contributions made	13,632,317
Less: annual pension cost	<u>(18,442,345)</u>
Change in net pension asset	(4,810,028)
Net Pension asset, beginning of the year	84,773,862
Net Pension asset, end of the year	<u><u>\$ 79,963,834</u></u>

**Three-Year Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/2012	\$ 17,335,483	\$ 13,312,786	77%	\$ 90,318,905
6/30/2013	\$ 17,926,756	\$ 12,381,714	69%	\$ 84,773,862
6/30/2014	\$ 18,442,345	\$ 13,632,317	74%	\$ 79,963,833

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**11. RETIREMENT PLANS, Continued**

**MISCELLANEOUS PLAN:**

*Plan Description* - 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. The Plans' provisions and benefits in effect at June 30, 2014, are summarized below:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	17.939%	17.939%

*Annual Pension Cost* - For the year ended June 30, 2014, the City's Miscellaneous Plan annual pension costs were \$10,244,941. The annual pension costs were more than the City's required and actual contributions of \$9,279,054 from positive interest earnings on the net pension asset offset by a negative adjustment to the annual required contribution due to a declining active payroll. The required contribution rates were determined as part of the June 30, 2011 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.30% to 14.20%; (c) inflation of 2.75%; and (d) payroll growth of 3.00%. The actuarial value of the Miscellaneous Plan's assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. The City's CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Based on the actuarial valuation dated June 30, 2011, the remaining average amortization was 21 years for the Miscellaneous Plan.

*Funded Status and Funding Progress* - As of June 30, 2013, the Miscellaneous Plan was 77.6% funded. The actuarial accrued liability for benefits was \$599,103,799 and the actuarial value of assets was \$464,992,981 resulting in unfunded actuarial accrued liabilities (UAAL) of \$134,110,818. The covered payroll (annual payroll of active employees covered by the plan) was \$51,071,754 and the percentage of the UAAL to covered payroll was 262.6%.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**11. RETIREMENT PLANS, Continued**

**MISCELLANEOUS PLAN, Continued:**

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Pension Asset* – The City prepaid its Annual Required Contributions (ARC) with proceeds from the 2007 Taxable Pension Obligation Bonds Series A and Series B (Note 8B). The net prepaid pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of the ARC. The pension asset is being amortized over a 30 year period. The pension asset balance at June 30, 2014 is \$27,848,568 for the Miscellaneous Plan.

The City’s annual pension cost and change in the net pension asset related to the Miscellaneous Plan for the year ended June 30, 2014, were as follows:

Annual required contribution	\$ 10,526,241
Interest on beginning net pension asset	(2,161,084)
Adjustment to the annual required contribution	1,879,784
Annual pension cost	<u>10,244,941</u>
Contributions made	9,279,054
Less: annual pension cost	<u>(10,244,941)</u>
Change in net pension asset	(965,887)
Net Pension asset, beginning of the year	<u>28,814,455</u>
Net Pension asset, end of the year	<u><u>\$ 27,848,568</u></u>

**Three-Year Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/2012	\$ 11,097,097	\$ 7,801,222	70%	\$ 30,516,605
6/30/2013	\$ 10,031,522	\$ 8,329,372	83%	\$ 28,814,455
6/30/2014	\$ 10,244,941	\$ 9,279,054	91%	\$ 27,848,568

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**11. RETIREMENT PLANS, Continued**

**ENHANCEMENT PLAN:**

*Plan Description* - The Retirement Enhancement Plan (REP), a closed retirement plan, provides retirement benefits for Municipal Utility Department employees for the period of time they worked for OMI-Thames Water Stockton, Inc. The City entered into an agreement with Public Agency Retirement Services (PARS) (a public sector retirement plan administrator specializing in providing public entities customized retirement plans and solutions) to contribute to a supplemental plan for employees joining or re-joining City service after having been employed between 2003 and 2008 by OMI-Thames, a private sector utility contractor. OMI-Thames employees did not earn CalPERS service credit during the period of time OMI-Thames operated the City utilities. Upon retirement, the REP benefits will supplement any CalPERS retirement for which those particular employees are eligible. Eligibility for the REP, a single-employer postemployment defined benefit plan, other than employment with OMI-Thames between 2003 and 2008, is defined as concurrent retirement with CalPERS and the City upon attaining age 55 and a minimum of 5 years of full-time continuous service with the City, with at least 1 year of continuous City service after March 1, 2008.

*Funding Policy* - The City is required to make contributions at an actuarially determined amount. The amount for members of the REP was \$761,087. As part of the OMI-Thames relinquishment agreement, the City pays for the entire benefit obligation. A level dollar contribution amortized over 20 years is used to determine the City contribution. The contribution requirements of the plan may be amended depending on future actuarial valuations and earnings levels.

*Annual Pension Cost* - For the year ended June 30, 2014, the City's REP annual pension costs were \$766,478 and the City's contributions were \$766,478. The required contribution rate was determined as part of the actuarial valuation, using the entry age normal actuarial cost method with contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses); (b) projected salary increases that vary based on years of service from 3.50% to 12.20%; (c) inflation of 2.75%; (d) payroll growth of 2.0%. The actuarial value of the REPs assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over time. The City's REPs unfunded actuarial accrued liability is being amortized as a level dollar amount over a 20 year amortization period on a closed basis. Based on the actuarial valuation dated December 14, 2014, the remaining amortization period as of June 30, 2014 was 12.67 years.

*Funded Status and Funding Progress* - The REP began on March 1, 2008. As of June 30, 2014, the most recent actuarial valuation date, the REP was 54.27% funded. The actuarial accrued liability (AAL) for benefits was \$9,321,510 and the actuarial value of plan assets was \$5,058,425, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,263,084. The covered payroll (annual payroll of active employees covered by the REP) was \$3,496,673 and the percentage of the UAAL to covered payroll was 121.92%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**11. RETIREMENT PLANS, Continued**

**ENHANCEMENT PLAN, Continued:**

**Three-Year Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 736,445	\$ 736,445	100%	\$ -
6/30/2013	\$ 761,087	\$ 736,445	97%	\$ 24,642
6/30/2014	\$ 766,478	\$ 766,478	100%	\$ 26,642

The following is a summary of the Net Pension Asset plan at June 30, 2014:

**Retirement Plans:**

Safety Plan	\$ 79,963,834
Miscellaneous Plan	27,848,568
Enhancement Plan	-
<b>Total</b>	<b>\$ 107,812,402</b>

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

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**12. RISK SERVICES, Continued**

The City's independent actuaries perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based upon past experience, modified for current trends and information. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is recognized at a 70% confidence level, using a 1.33% discount rate to reflect future investment earnings. While the ultimate amounts of losses incurred through June 30, 2014 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to recognize such losses. There have been no significant reductions in any of the City's insurance coverage each of the past three years.

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:

	<b>General Liability</b>	<b>Workers' Compensation</b>	<b>Health Benefits</b>	<b>Total</b>
Balance, June 30, 2012	\$ 8,371,412	\$ 58,015,972	\$ 4,083,500	\$ 70,470,884
Claims incurred	1,004,226	176,975	12,948,692	14,129,893
Claims paid	(60,900)	(5,985,947)	(14,868,092)	(20,914,939)
Balance, June 30, 2013	9,314,738	52,207,000	2,164,100	63,685,838
Claims incurred	2,168,329	13,953,818	8,015,382	24,137,529
Claims paid	(728)	(10,084,818)	(8,825,382)	(18,910,928)
Balance, June 30, 2014	<u>\$ 11,482,339</u>	<u>\$ 56,076,000</u>	<u>\$ 1,354,100</u>	<u>\$ 68,912,439</u>

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**12. RISK SERVICES, Continued**

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, 2014 can be obtained from CJPRMA at 3201 Doolan Road, Suite #285, Livermore, California 94551.

*Property Protection* - The City participates in CJPRMA's All Risks Property Protection Program, which is primarily underwritten by a casualty insurance company. The Program provides \$10 million per occurrence in coverage to participating members, subject to a deductible of \$25,000. Premiums, which are negotiated each year, are based on property values and are not subject to retroactive adjustments.

*Workers' Compensation Insurance* - The City has been self-funded for its Worker's Compensation Program since 1979. In July 2003, the City joined California Public Entity Insurance Authority (CPEIA), a public entity risk pool which operated an Excess Workers' Compensation (EWC) Program. CPEIA has since merged into an existing authority known as California State Association of Counties Excess Insurance Authorities (CSAC-EIA). The CSAC-EIA was formed in 1979 by 29 California counties for the purpose of pooling risk and providing a viable and cost effective solution for the counties' insurance and risk management needs. It has since expanded to allow admittance from cities and other entities and currently includes 93% of the counties in California, nearly 61% of the cities, as well as, numerous school districts, special districts, housing authorities and other Joint Powers Authorities. The City's self-insured retention is currently set \$500,000 per occurrence. Losses above the City's SIR are pooled up to \$4 million per occurrence by the CSAC-EIA. Statutory coverage for losses above \$5 million are covered by reinsurance and excess insurance policies throughout CSAC-EIA.

**13. POSTEMPLOYMENT HEALTH CARE BENEFITS**

In addition to providing pension benefits through CalPERS, the City provides certain health care benefits for retired employees under contractual obligations negotiated between the City and various employee bargaining units. However through the pendency plan, adopted on June 26, 2012, two plan changes, as specified below, were implemented. Retiree health benefits for future retirees were eliminated and City-paid retiree health benefits were reduced to a dollar subsidy based on service in fiscal year 2012-13 and eliminated in fiscal year 2013-14. The effect of these changes are significant and have been included in the disclosures.

*Plan Description* - The City's Retiree Healthcare Plan (RHP) is a single-employer defined benefit healthcare plan administered by Delta Health Systems of Stockton, California. All City management and public safety employees who receive a CalPERS retirement allowance upon separation are eligible for coverage under the RHP at age 50. Other miscellaneous employees who receive a CalPERS retirement allowance and have 15 or more years of service are eligible for coverage at age 50. Disability retirement is not available to other miscellaneous employees. Some employees, retired for disability, may qualify at a younger age. Employees retired for disability must be covered under a medical plan of the City and be eligible to receive monthly pension for CalPERS Disability Retirement. Retirees meeting these eligibility requirements are currently participating in the Plan.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**13. POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued**

*Funding Policy* – Prior to July 1, 2012, the City’s subsidy (contributions) is paid by City departments and is based on amounts established in the City’s Annual Budget. After July 1, 2013, there were no City contributions. Retirees who exhaust their City-paid benefit before reaching age 65 can purchase coverage until they reach age 65. Those that qualify for City paid benefits may purchase coverage for additional dependents not covered by the City’s contribution to the RHP.

*Annual OPEB Cost and Net OPEB Obligation* - The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Annual OPEB cost (AOC) decreased to negative \$2.0 million from prior fiscal year \$17.4 million.

The City’s annual OPEB cost, contributions to the plan and changes in the City’s net OPEB obligation for the year ended June 30, 2014 are as follows:

Annual required contribution (ARC)	\$ 1,001,469
Interest on net OPEB obligation	5,655,173
Adjustment to the annual required contribution	<u>(8,669,636)</u>
Annual OPEB cost (AOC)	(2,012,994)
Contributions made	<u>-</u>
Increase in net OPEB obligation	(2,012,994)
Net OPEB Obligation at June 30, 2013	<u>125,670,518</u>
Net OPEB Obligation at June 30, 2014	<u><u>\$ 123,657,524</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of and for the year ended June 30, 2014 are as follows:

Fiscal Year	Annual OPEB Cost (AOC)	Percentage of Annual OPEB Contributed	OPEB Obligation
6/30/2014	\$ (2,013)	0%	\$ 123,657,524
6/30/2013	\$ 17,388,230	88%	\$ 125,670,518
6/30/2012	\$ 31,974,000	45%	\$ 123,534,000

*Funded Status and Funding Progress* - As of June 30, 2014 (the most recent actuarial valuation date), the actuarial accrued liability for benefits was \$2,707,140 and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,707,140, a decrease from the prior valuation (UAAL) of \$298,939,848. The valuation reflects a plan change since the prior valuation – retiree health benefits were converted to a fixed dollar payment based on the retiree’s service at retirement. The covered payroll (annual payroll of active employees covered by the plan that included data through June 30, 2014) and the ratio of the UAAL to the covered payroll were not applicable as the City eliminated post-employment health benefits for future retirees effective July 1, 2012.

**13. POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Actuarial Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) 4.5% estimated long-term investment rate of return on the City's pooled investments, (b) 3.0% general inflation assumption, (c) 3.25% projected salary increase and (d) healthcare cost trend rate of 9.3% for members who are also covered by Medicare and 9.0% for non-Medicare members. The healthcare cost trend rate was reduced by decrement to an ultimate rate of 5.0% after 8 years for both groups. The UAAL is being amortized as a level percentage of projected payroll over 30 years on a closed basis. The remaining amortization period at June 30, 2014 is 23 years.

**14. POLLUTION REMEDIATION OBLIGATIONS**

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**14. POLLUTION REMEDIATION OBLIGATIONS, Continued**

The former Agency, now Successor Agency, has identified six sites along the Stockton channel that are designated "Brownfields" by the U.S. Environmental Protection Agency (EPA), with the goal of revitalizing contaminated properties that the Successor Agency currently owns in the area near Stockton's downtown waterfront in the Waterfront Redevelopment Project Area. The following are details of each of the six Successor Agency-owned contaminated sites, including a description of the pollution, the obligating event requiring remediation action, estimable remediation costs components, and recoveries by responsible parties. Details of the liabilities as of June 30, 2014 are also discussed

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

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

*Area 1 (Southpointe)* - Soil and groundwater contamination has been identified in Area 1 associated with historic railroad lines and underground petroleum storage tanks and pipelines. The obligating events for this site stem from a Polanco agreement notice issued to the responsible party associated with the soil contamination, and the Agency encountering groundwater contamination as part of the planned development of the site. Estimated costs are for consultant, legal and City personnel costs for cleanup of the site. Ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2014 is \$902,500, which includes an estimated recovery of costs by the responsible parties.

*Area 2A-Unocal* - Soil and groundwater contamination has been identified in Area 2A-Unocal associated with total petroleum hydrocarbons, volatile and semi-volatile organic compounds. The obligating event for this site stems from a Polanco agreement notice issued to the responsible party, currently in negotiation for settlement. Estimated costs are for consultant, legal and City personnel costs for cleanup of the soil contamination, and pre-cleanup and investigative study of the site relative to the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2014 is \$428,040, which includes an estimated recovery of costs by the responsible party.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**14. POLLUTION REMEDIATION OBLIGATIONS, Continued**

*Area 2A-Morton/Alco* - Groundwater contamination has been identified in Area 2A-Morton/Alco associated with total petroleum hydrocarbons, volatile and semi-volatile organic compounds. The Agency has entered into a Polanco agreement with the Regional Water Quality Control Board for remediation action. Estimated costs are for consultant services and City personnel costs for pre-cleanup and investigative study of the site relative to the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2014 is \$490,000, which include an estimated recovery of pre-cleanup and investigative study costs by the responsible party.

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

Estimated costs include consultant, legal and City personnel costs for cleanup of the sites and for post-remediation/monitoring. The net pollution remediation liability for Area 3 and Area 4 includes an estimated recovery of post-remediation/monitoring costs by the responsible parties. The net liability of Area 3 as of June 30, 2014 is \$395,000 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, 2014 remains at \$55,000. The net pollution remediation liability for Area 24 as of June 30, 2014 is \$540,000, which includes an estimated recovery of costs by the responsible party.

The total net estimated net pollution remediation liability for the six sites in the amount of \$2,415,540, is reported in the Successor Agency as of June 30, 2014. During the year ended June 30, 2014, the Successor Agency recovered \$401,476 in related pollution remediation outlays and adjustments to future outlays, and recoveries for the polluted sites.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**15. INDIVIDUAL FUND DISCLOSURES**

*Deficit Fund Balances*

At June 30, 2014, the following funds had net positions or fund balance deficits:

Fund	Fund Type	Deficit
Stockton Public Financing Authority	Non-Major Governmental - Special Revenue Fund	\$ 16,722,082
Successor Agency	Private Purpose Trust Fund	\$ 72,211,459
General Liability Insurance	Internal Service Fund	\$ 964,115
Workers' Compensation Insurance	Internal Service Fund	\$ 37,404,454
Employee and Retiree Health Insurance	Internal Service Fund	\$ 115,018,579
Retirement Benefits	Internal Service Fund	\$ 28,119,415
Central Parking District	Enterprise Fund	\$ 116,960

- The Stockton Public Financing Authority Debt Service Fund has a deficit fund balance of \$16,722,082 as of June 30, 2014. The liabilities were previously recorded in the General Fund and Capital Improvement Fund. The General Fund and Capital Improvement Fund are to transfer monies to the SPFA to pay the settlement.
- The Successor Agency to the Redevelopment Agency Fund has an accumulated deficit net position of \$72,211,459 as of June 30, 2014. The Fund deficit is a result of long-term liabilities for Revenue bonds of \$122,097,814, which is greater than fund assets. These long-term obligation are paid from future pledge of revenues and not an accumulation of assets. The Fund had a cash balance of \$6,455,273 as of June 30, 2014.
- General Liability Insurance Fund has an accumulated deficit fund balance of \$964,115 as of June 30, 2014. The City has historically budgeted revenues and projected on a cash basis. Contributions to cover claims expenditures are based on a percentage of payroll based upon city-wide loss experience. As a result, contributions have been insufficient to cover the outstanding claims liabilities. On an accrual basis of accounting, the Fund has a long-term liability of \$5,667,399 for claims and judgments while the cash balance of the fund as of June 30, 2014 is \$8,529,850. Currently the rates are proposed to cover anticipated annual cash flow, and have not been increased to cover the actuarial value of losses for the year or to address past funding deficits.
- The Workers' Compensation Insurance Fund has an accumulated deficit fund balance of \$37,404,454 as of June 30, 2014. The City has historically budgeted revenues and projected expenditures in the Fund on a cash basis. Contributions to cover claims expenditures are based on a percentage of payroll based upon city-wide loss experience. As a result, contributions have been insufficient to cover the outstanding claims liabilities. On an accrual basis of accounting, the Fund has a long-term liability of \$43,517,000 for claims and judgments while the cash balance of the fund as of June 30, 2014 is \$16,615,184. The City has increased rates in Fiscal Year 2012-13 to help fund the accumulated deficit over time.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**15. INDIVIDUAL FUND DISCLOSURES, Continued**

*Deficit Fund Balances, Continued*

- The Employee and Retiree Health Insurance Fund have an accumulated deficit fund balance of \$115,018,579 as of June 30, 2014. The City budgets revenues and projects expenses in the Fund on a cash basis. On an accrual basis of accounting, the Fund has a long-term liability for Other Postemployment Benefits (OPEB) of \$125,670,518 and an operating income of \$1,628,299 due to the reduction in operating expenses. The Fund had a cash balance of \$8,760,705 as of June 30, 2014.  
As part of the City's pendency plan filed under Chapter 9 bankruptcy, the City Council has authorized the discontinuance of the retiree health benefits to be phased in over a two year period beginning in Fiscal Year 2012-13. This action was taken to reduce or eliminate the unfunded OPEB liability and restore the Fund's financial health. However, it is subject to confirmation of the Plan of Adjustment.
- The Retirement Benefits Fund has an accumulated deficit fund balance of \$28,119,415 as of June 30, 2014. The City budgets revenues and projects expenses in the Fund on a cash basis. On an accrual basis of accounting, the Fund has a long-term liability for Pension obligation bonds of \$119,970,000. The Fund had a cash balance of \$4,821,710 as of June 30, 2014.
- The Central Parking District Fund has an accumulated deficit net position of \$116,960 as of June 30, 2014. The City budgets revenues and projects expenses in the Fund on a cash basis. On an accrual basis of accounting, the Fund has a long-term liability for Certificate of Participation of \$33,474,156. The Fund had a cash balance of \$2,000,884 as of June 30, 2014.

**16. COMMITMENTS AND CONTINGENCIES**

*Contingent Liability - Pending Litigation*

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

The City is self-insured and participates in two public entity risk pools (Note 12).

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**16. 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 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 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 in order to balance the City's budget and the fiscal emergency declaration was continued. As a result of the adoption of the fiscal emergency declaration and measures, the Stockton Police Officers Association ("SPOA") initiated grievance claims for some of the disputes that could have led to arbitration actions against the City.

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

**16. COMMITMENTS AND CONTINGENCIES, Continued**

*Capital Commitments*

The City is undertaking a number of capital improvement projects, the most significant of which include the following outstanding capital commitments at June 30, 2014:

	<u>Amount</u>
Developer Reimbursements	\$ 5,598,041
Weber Avenue Beautification PH-II	2,698,910
Rehab Tuxedo Sewer Line	1,472,973
Regional Wastewater Control Facility- Capital Improvement Energy	1,220,976
Arch Road Sanitary Sewer Trunk	1,067,469
French Camp/Sperry Road	1,034,595
Regional Wastewater Control Facility - Capital Improvement Energy Management Plan-Tertiary Plant	1,032,476
Sperry Road extension	517,009
Total Capital Projects Commitments	<u>\$ 14,642,449</u>

*Operating Leases*

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 712,569
2016	261,118
2017	273,955
2018	275,835
2019	289,627
2020-2024	1,680,386
2025-2029	2,144,640
Total	<u>\$ 5,638,130</u>

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**16. 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, 2014 are as follows:

	<u>Amount</u>
General Fund	\$ 2,967,424
Capital Improvements	\$ 662,792
Other Governmental	\$ 5,452,221

*Facilities Management Agreement*

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

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

The Agreement is for a period of five years commencing in 2011, and may be renewed at the option of the City for one additional five-year period. Either party may terminate the Agreement for cause during the agreement period due to a material breach by the other party or for default. Beginning in 2014, the City may terminate the Agreement without cause.

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 Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**16. COMMITMENTS AND CONTINGENCIES, Continued**

*Federal and State Grant Programs*

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

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

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

**17. CHAPTER 9 BANKRUPTCY**

On May 26, 2010, the City Council declared a state of emergency based on fiscal circumstances and directed the City Manager to take appropriate and lawful measures to achieve a balanced budget for fiscal year 2010-11, which was accomplished. The City's fiscal health continued to deteriorate in fiscal years 2010-11 and 2011-12 despite various cost cutting measures the City implemented. As a result, the fiscal emergency was continued on May 17, 2011 and February 28, 2012, along with Council authorization for the City Manager to enter into the measures specified in California Assembly Bill 506 (AB 506). By participating in the AB 506 process, the City held discussions with creditors with the goal of obtaining concessions relating to the City's obligations. While progress was made with some creditors, sufficient progress was not made to avoid insolvency, thereby leading the City to file a petition for chapter 9 bankruptcy relief on June 28, 2012. The Bankruptcy Judge appointed a mediator for the City and its largest creditors during the bankruptcy process to work towards a plan of adjustment.

The City was current on all debt payments for fiscal year 2010-11. On February 28, 2012, the Council approved suspending payment on three bonds, with payments due at various times prior to the end of the fiscal year 2011-12, to preserve General Fund cash and attempt to avoid insolvency. Accordingly, the City entered into default on the following debt obligations, beginning in fiscal year 2011-12:

- 2004 Series Lease Revenue Bonds of the Stockton Public Financing Authority (Parking and Capital Projects)
- 2007 Series A and B Variable Rate Demand Lease Revenue Bonds (City Admin Building)
- 2009 Series A Lease Revenue Refunding Bonds (Capital Improvement Bonds)

For fiscal year 2012-13, the City adopted its Annual Budget on June 26, 2012, a Pendency Plan which provided for substantial cuts and elimination of City general fund expenditures in order to continue

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**17. CHAPTER 9 BANKRUPTCY, Continued**

operations. The most significant of those reductions were the elimination of retiree health benefits and the payments of principal and interest for General Fund supported debt obligations pending the outcome of the bankruptcy case. The City's bankruptcy filing and Pendency Plan notified creditors that the City would default on the following debt and contractual obligations beginning in fiscal year 2012-13 in addition to the prior defaults on the three debt obligations listed above:

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

As a result of the defaults, but prior to bankruptcy, certain creditors exercised their default rights and remedies to security and petitioned the courts to take possession and control of the assets backed by the debt obligations. These possessory interests in the assets were granted to the creditors and included three downtown parking structures (securing 2004 Series Lease Revenue Bond) and 400 East Main Street, the City Administration Building (securing 2007 Series A and B Variable Rate Demand Lease Revenue Bonds). Because these interests are possessory in nature, the assets continue to be reported on the City's financial statements as of June 30, 2014.

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

The hearing on confirmation of the plan of adjustment conducted by Chief United States Bankruptcy Judge Christopher M. Klein in Sacramento, California, began on May 12, 2014. The four-day hearing that week was followed by another hearing on June 4, 2012.

Judge Klein conducted further hearings limited to argument of counsel on July 8 and October 1, 2014, and at a hearing on October 30, 2014, announced his oral decision to approve the plan of adjustment (as modified on June 8, 2014). On December 10, 2014, the bankruptcy court considered Franklin's motion to prohibit the City from consummating the Plan until its appeal has been decided (which likely will not be until late 2015, if that soon). The court also considered Franklin's motion to amend its ruling on the amount of claims of former health benefit recipients and rejected the motion. In January 2015, the Court is expected to issue the final approval of the Plan and consider Franklin's request for the stay.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**17. CHAPTER 9 BANKRUPTCY, Continued**

The aggregate gain expected to occur by re-measuring liabilities subject to the proposed plan of adjustment and contingent claims are not able to be reasonably measured or estimated, given that despite the October 30, 2014, ruling, the ultimate outcome of the confirmation hearing will not be made by the U.S. Bankruptcy Court until at least after the December 10, 2014, and perhaps after the outcome of the appeal, which likely will not be resolved until late 2015, if then. The plan of adjustment does not contemplate termination of services, discontinuance of operations, or termination of the City.

The City expects to file additional modification to the Proposed Plan prior to reflect new or finalized settlements and fix certain clerical errors. Any plan for the adjustment of the City's debts finally confirmed by the Court is likely to provide for material modifications of the City's obligations with respect to its debts and could include a schedule of payments substantially different than the originally scheduled debt service. The City expects to file additional disclosure notices and reports on EMMA from time to time updating information concerning its General Fund financial condition and chapter 9 filing.

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

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

**18. SUBSEQUENT EVENTS**

Management has evaluated subsequent events to determine if events or transactions through the date of the financial statements require adjustment to or disclosure in the financial statements as follows:

**A. *Issuance of Stockton Public Financing Authority Limited Obligation Revenue Bonds (Mosher Reassessment District 2014-1), Series 2014-1***

On July 29, 2014 the City Council and Stockton Public Financing Authority ("Authority") authorized the refunding of bonds issued in 2003 in the Mosher Assessment District (the "District"). The refunding was accomplished through the issuance of revenue bonds by the Authority, the proceeds of which were used to call the Local Obligation Bonds ("LOB"s) issued in 2003 by the District. The refunding of the previous debt was approved up to a maximum interest rate not to exceed 5.65%.

The current refunding closed on August 28, 2014, with proceeds used to call all remaining 2003 bonds September 2, 2014.

**B. *Issuance of Stockton Public Financing Authority Wastewater Refunding Revenue Bonds, Series 2014 to refund remaining principal due on the 1998 and 2003 Certificates of Participation***

On September 9, 2014 the City Council and Stockton Public Financing Authority ("Authority") authorized the refunding of remaining balances due on 1998 and 2003 Certificates of Participation (COPs), the proceeds of which had been used for capital projects related to the City's Wastewater Utility. The refunding of the previous debt was approved up to a maximum interest rate not to exceed 4.15%.

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**18. SUBSEQUENT EVENTS, Continued**

The current refunding closed on October 22, 2014 with proceeds placed in an irrevocable escrow account to facilitate the calling of remaining bonds on November 24, 2014.

**C. Bond Rating Changes**

On September 4, 2014, Fitch upgraded the ratings on the following obligations from "BBB" to "A-".

- Stockton Public Financing Authority, Variable Rate Demand Water Revenue Bonds, Series 2010A (Delta Water Supply Project)
- Stockton Public Financing Authority, 2005 Water Revenue Bonds, Series A

On September 5, 2014, Fitch upgraded the ratings on the following obligations from "BBB-" to "BBB+".

- Stockton Public Financing Authority, Water Revenue Bonds, Series 2009A (Delta Water Supply Project)
- Stockton Public Financing Authority, Water Revenue Bonds, Taxable Build America Bonds, Series 2009B (Delta Water Supply Project)
- On November 6, 2014, Moody's downgraded the ratings on the following obligations from "Caa3" to "Ba3".
- Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A

On November 6, 2014, Moody's upgraded the ratings on the following obligations from "Ba1" to "A3".

Stockton Public Financing Authority, Variable Rate Demand Water Revenue Bonds, Series 2010A (Delta Water Supply Project)

Stockton Public Financing Authority, 2005 Water Revenue Bonds, Series A

On November 12, 2014, Standard and Poor's upgraded the ratings on the following obligations from "CCC" to "B-".

- 2003 City of Stockton Certificates of Participation, Series A and Series B
- Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A

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

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

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

**City of Stockton**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2014**

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**18. SUBSEQUENT EVENTS, Continued**

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

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

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

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

*F. GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans*

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Management is evaluating the impact of the adoption of this standard on the financial statements and believes that its impact, when adopted, may be material to the City. The standard will be implemented effective with the fiscal year 2014-2015 financial statements.

**19. PRIOR PERIOD RESTATEMENT**

Pursuant to GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the City no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The City made adjustments for these items as a cumulative effect of change in accounting principle in the current fiscal year. This resulted in the reduction of Net Position for governmental activities by \$2,109,936 and business-type activities by \$3,304,242. For the Successor Agency, the adjustment was a reduction of net position of \$1,042,805.



CITY OF STOCKTON



**REQUIRED SUPPLEMENTARY INFORMATION**



**City of Stockton**  
**Required Supplementary Information (Unaudited)**  
**For the year ended June 30, 2014**

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**1. BUDGETARY INFORMATION**

*Budget Process*

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

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

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

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

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

**City of Stockton**  
**Required Supplementary Information, continued (Unaudited)**  
**For the year ended June 30, 2014**

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**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, continued (Unaudited)**  
**For the year ended June 30, 2014**

**1. BUDGETARY INFORMATION, Continued**

*Budget Comparison Schedule - General Fund*

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 26,385,000	\$ 26,905,000	\$ 28,014,399	\$ 1,109,399
In lieu of sales tax	9,779,500	9,779,500	9,706,219	(73,281)
Utility user	32,190,000	32,190,000	32,369,396	179,396
Sales - levied by city	-	6,803,630	6,573,956	(229,674)
Franchise fees	11,671,000	11,671,000	11,981,115	310,115
Business license	8,989,000	8,989,000	9,367,611	378,611
Hotel/motel room	1,950,000	1,950,000	2,080,065	130,065
Document transfer	500,000	500,000	564,364	64,364
Other	278,000	278,000	335,922	57,922
Licenses and permits	369,773	369,773	362,304	(7,469)
Intergovernmental:				
Federal grants and subsidies	-	-	117,010	117,010
Sales and use tax - levied by state	30,385,500	30,385,500	30,889,595	504,095
Other governmental	23,603,500	24,070,500	23,786,114	(284,386)
Charges for services	12,904,054	12,637,054	9,462,928	(3,174,126)
Fines and forfeitures	1,959,300	1,959,300	2,886,717	927,417
Use of money and property	3,582,311	3,582,311	6,404,590	2,822,279
Investment income:				
Interest income	100,000	100,000	52,119	(47,881)
Refunds and reimbursements	1,738,847	2,022,753	2,287,030	264,277
Miscellaneous	4,588,170	4,590,170	4,714,291	124,121
Total revenues	<u>170,973,955</u>	<u>178,783,491</u>	<u>181,955,745</u>	<u>3,172,254</u>
EXPENDITURES:				
General government:				
City council	461,707	463,089	458,192	4,897
City manager	1,016,374	1,019,518	923,845	95,673
City attorney	987,363	987,363	676,508	310,855
City clerk	696,971	697,506	645,634	51,872
City auditor	768,100	1,206,563	938,857	267,706
Administrative services	3,753,524	3,907,727	3,338,606	569,121
Human resources	2,025,587	2,080,312	1,423,065	657,247
Housing	967,358	1,001,113	803,382	197,731
Non-departmental	14,233,299	16,693,217	7,717,219	8,975,998
Total general government	<u>24,910,283</u>	<u>28,056,408</u>	<u>16,925,308</u>	<u>11,131,100</u>

**City of Stockton**  
**Required Supplementary Information, continued (Unaudited)**  
**For the year ended June 30, 2014**

**1. BUDGETARY INFORMATION, Continued**

**Budget Comparison Schedule - General Fund, Continued**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Police	83,698,594	85,067,220	81,199,757	3,867,463
Fire	35,456,447	35,854,178	33,426,752	2,427,426
Total public safety	119,155,041	120,921,398	114,626,509	6,294,889
Public works	3,155,059	3,193,436	3,025,178	168,258
Library	9,935,069	9,992,288	9,626,924	365,364
Parks and recreation	16,087,259	16,172,151	14,615,517	1,556,634
Capital Outlay	-	2,497,827	374,063	2,123,764
Total expenditures	173,242,711	180,833,508	159,193,499	21,640,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	(2,268,756)	(2,050,017)	22,762,246	24,812,263
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	200,003	200,003
Transfers in	997,861	997,861	1,010,207	12,346
Transfers out	(5,447,973)	(5,423,973)	(4,424,962)	999,011
Total other financing sources (uses)	(4,450,112)	(4,426,112)	(3,214,752)	1,211,360
NET CHANGE IN FUND BALANCE (GAAP BASIS)	\$ (6,718,868)	\$ (6,476,129)	19,547,494	\$ 26,023,623
BASIS ADJUSTMENT:				
Encumbrances (included in Final Budget above)			(2,967,424) *	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			16,580,070	
FUND BALANCE AND ENCUMBRANCES, BEGINNING OF YEAR AS ADJUSTED			31,321,576	
FUND BALANCE AND ENCUMBRANCES, END OF YEAR (BUDGETARY BASIS)			\$ 47,901,646	

\* Adjusted to Budgetary Basis.

**City of Stockton**  
**Required Supplementary Information, continued (Unaudited)**  
**For the year ended June 30, 2014**

**1. BUDGETARY INFORMATION, Continued**

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental:				
Federal grants and subsidies	\$ 1,051,039	\$ 1,705,558	\$ 1,937,566	\$ 232,008
Use of money and property	120,000	120,000	250,856	130,856
Interest income	-	-	1,684	1,684
Total revenues	<u>1,171,039</u>	<u>1,825,558</u>	<u>2,190,106</u>	<u>364,548</u>
EXPENDITURES:				
Capital outlay	<u>2,317,673</u>	<u>5,531,370</u>	<u>2,527,715</u>	<u>3,003,655</u>
Total expenditures	<u>2,317,673</u>	<u>5,531,370</u>	<u>2,527,715</u>	<u>3,003,655</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES (GAAP BASIS)	<u>(1,146,634)</u>	<u>(3,705,812)</u>	<u>(337,609)</u>	<u>3,368,203</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u>\$ (1,146,634)</u>	<u>\$ (3,705,812)</u>	<u>(337,609)</u>	<u>\$ 3,368,203</u>
BASIS ADJUSTMENT:				
Encumbrances			<u>-</u>	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			(337,609)	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			<u>337,609</u>	
FUND BALANCE, END OF YEAR			<u>\$ -</u>	

**City of Stockton**  
**Required Supplementary Information, continued (Unaudited)**  
**For the year ended June 30, 2014**

**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	\$ -	\$ -	\$ 75,357	\$ 75,357
Interest income	-	-	6,316	6,316
Miscellaneous	-	-	395,312	395,312
Total revenues	-	-	476,985	476,985
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	-	-	476,985	476,985
OTHER FINANCING SOURCES (USES):				
Transfers in	2,222,347	2,518,347	-	(2,518,347)
Transfers out	(2,222,347)	(2,518,347)	(395,312)	2,123,035
Total other financing sources (uses)	-	-	(395,312)	(395,312)
NET CHANGE IN FUND BALANCE (GAAP BASIS)	\$ -	\$ -	81,673	\$ 81,673
BASIS ADJUSTMENT:				
Encumbrances			-	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			81,673	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			3,049,135	
FUND BALANCE, END OF YEAR			\$ 3,130,808	

**City of Stockton**  
**Required Supplementary Information, continued (Unaudited)**  
**For the year ended June 30, 2014**

**2. DEFINED BENEFIT PENSION PLAN**

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

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

**PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)  
SAFETY PLAN  
SCHEDULE OF FUNDING PROGRESS  
(\$ amounts in thousands)**

<b>Valuation Date</b>	<b>Entry Age Actuarial Accrued Liability (1)</b>	<b>Actuarial Value of Assets (2)</b>	<b>Unfunded Liability (UAAL) (1)-(2)</b>	<b>Funded Status (2)/(1)</b>	<b>Annual Covered Payroll (3)</b>	<b>UAAL As a Percentage of Payroll [(1)-(2)]/(3)</b>
6/30/2013	\$ 852,677	\$ 615,817	\$ 236,860	72%	\$ 44,100	537%
6/30/2012	\$ 830,040	\$ 685,765	\$ 144,275	83%	\$ 44,759	322%
6/30/2011	\$ 802,778	\$ 685,733	\$ 117,045	85%	\$ 50,961	230%

**PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)  
MISCELLANEOUS PLAN  
SCHEDULE OF FUNDING PROGRESS  
(\$ amounts in thousands)**

<b>Valuation Date</b>	<b>Entry Age Actuarial Accrued Liability (1)</b>	<b>Actuarial Value of Assets (2)</b>	<b>Unfunded Liability (UAAL) (1)-(2)</b>	<b>Funded Status (2)/(1)</b>	<b>Annual Covered Payroll (3)</b>	<b>UAAL As a Percentage of Payroll [(1)-(2)]/(3)</b>
6/30/2013	\$ 599,104	\$ 464,993	\$ 134,111	78%	\$ 51,072	263%
6/30/2012	\$ 584,541	\$ 517,244	\$ 67,297	88%	\$ 50,209	134%
6/30/2011	\$ 568,823	\$ 513,963	\$ 54,860	90%	\$ 53,670	102%

**City of Stockton**  
**Required Supplementary Information, continued (Unaudited)**  
**For the year ended June 30, 2014**

**2. DEFINED BENEFIT PENSION PLAN, Continued**

**RETIREMENT ENHANCEMENT PLAN (PARS)**  
**MUNICIPAL UTILITY DEPARTMENT PLAN (CLOSED)**  
**SCHEDULE OF FUNDING PROGRESS**  
(\$ amounts in thousands)

Valuation Date	Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (UAAL) (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/2014	\$ 9,321	\$ 5,058	\$ 4,263	54%	\$ 3,497	122%
6/30/2012	\$ 8,346	\$ 3,339	\$ 5,007	40%	\$ 3,971	126%
6/30/2010	\$ 7,079	\$ 1,643	\$ 5,436	23%	\$ 5,200	105%

**3. OTHER POST EMPLOYMENT BENEFITS**

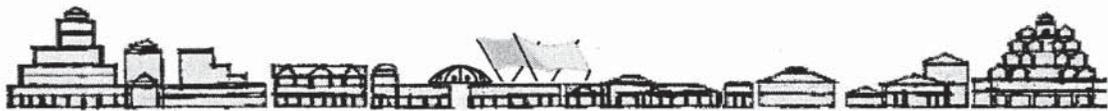
**REQUIRED SUPPLEMENTARY INFORMATION**  
Schedule of Funding Progress for the City's Plan  
(\$ amounts in thousands)

Valuation Date	Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/2014 *	\$ 2,707	\$ -	\$ 2,707	0%	\$ -	0%
6/30/2013	\$ 298,940	\$ -	\$ 298,940	0%	\$ -	0%
6/30/2011	\$ 416,738	\$ -	\$ 416,738	0%	\$ 102,040	408%

\* Reduction in actuarial accrued liability is due significantly to retirees that did not continue in the Plan after July 1, 2012 due to Plan changes made under the Pendancy Plan. Retirees enrolled in the Plan as of June 30, 2014 was 59.



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 Assessments 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.

## **NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

### ***Community Development Block Grant Programs Fund***

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

### ***Neighborhood Stabilization Loan Program Fund***

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

### ***Housing Grants and Loans Program Fund***

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

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

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

### ***Development Services Fund***

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

### ***Other Special Revenue Fund***

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

## **CAPITAL PROJECTS FUNDS**

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

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

### ***Public Facilities Impact Fees Capital Projects Fund***

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

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

## **DEBT SERVICE FUNDS**

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

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

### ***Stockton Public Financing Authority Debt Service Fund***

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

## **PERMANENT FUND**

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

**City of Stockton**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
<b>ASSETS</b>				
Cash and investments	\$ 500,958	\$ 1,899,950	\$ 13,726	\$ 3,605,246
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	-	-	-	-
Accounts and other	79,315	75,630	-	-
Due from other governments, net	1,614,474	-	3,012,667	2,820,910
Prepaid items	-	230	-	-
Loans to other funds, net	-	-	-	-
Loans to property owners, net	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,194,747</u>	<u>\$ 1,975,810</u>	<u>\$ 3,026,393</u>	<u>\$ 6,426,156</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 339,829	\$ 912	\$ 414,803	\$ 232,299
Due to other funds	-	-	15,592	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	2,260	-	-
Unearned revenue	1,683,858	-	-	-
Settlement payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,023,687</u>	<u>3,172</u>	<u>430,395</u>	<u>232,299</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Loans to property owners	-	-	-	-
Unavailable revenue - Other	-	-	-	280,865
	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,865</u>
Total deferred inflows of resource	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,865</u>
<b>FUND BALANCES (DEFICIT):</b>				
Nonspendable	-	230	-	-
Restricted	171,060	1,972,408	2,595,998	5,912,992
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>171,060</u>	<u>1,972,638</u>	<u>2,595,998</u>	<u>5,912,992</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 2,194,747</u>	<u>\$ 1,975,810</u>	<u>\$ 3,026,393</u>	<u>\$ 6,426,156</u>

Special Revenue

Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grants / Loans Program
\$ 1,438,056	\$ 13,742,010	\$ 1,045,189	\$ 938,503	\$ 133,940
-	-	-	-	1,259,225
-	-	-	-	75
-	331	11,410	-	-
1,631,002	-	432,244	652	1,212,805
-	263,398	-	-	-
-	-	-	-	-
-	-	20,011,949	7,333,336	-
<u>\$ 3,069,058</u>	<u>\$ 14,005,739</u>	<u>\$ 21,500,792</u>	<u>\$ 8,272,491</u>	<u>\$ 2,606,045</u>
\$ 77,850	\$ 598,479	\$ 105,330	\$ 383,942	\$ -
-	-	-	-	-
-	-	9,274	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>77,850</u>	<u>598,479</u>	<u>114,604</u>	<u>383,942</u>	<u>-</u>
-	-	20,011,949	7,333,336	-
-	-	-	-	-
-	-	20,011,949	7,333,336	-
-	-	-	-	-
2,991,208	13,407,260	1,374,239	555,213	2,606,045
-	-	-	-	-
<u>2,991,208</u>	<u>13,407,260</u>	<u>1,374,239</u>	<u>555,213</u>	<u>2,606,045</u>
<u>\$ 3,069,058</u>	<u>\$ 14,005,739</u>	<u>\$ 21,500,792</u>	<u>\$ 8,272,491</u>	<u>\$ 2,606,045</u>

**City of Stockton**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)**  
**JUNE 30, 2014**

	Special Revenue		
	City Administration Building	Development Services	Other Special Revenue
<b>ASSETS</b>			
Cash and investments	\$ 38,650	\$ 4,066,187	\$ 1,996,985
Cash and investments with fiscal agents	-	-	-
Receivables, net:			
Interest	-	-	-
Accounts and other	-	349,994	491
Due from other governments, net	-	42,258	-
Prepaid items	46,129	5,236	1,510
Loans to other funds, net	-	-	-
Loans to property owners, net	-	-	3,080,814
	<u>\$ 84,779</u>	<u>\$ 4,463,675</u>	<u>\$ 5,079,800</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 348,938	\$ 82,169
Due to other funds	-	-	-
Due to other governments	-	-	-
Deposits and other liabilities	-	321,974	-
Unearned revenue	-	-	-
Settlement payable	-	-	-
	<u>-</u>	<u>670,912</u>	<u>82,169</u>
Total liabilities	-	670,912	82,169
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Loans to property owners	-	-	3,080,814
Unavailable revenue - Other	-	230,216	-
	<u>-</u>	<u>230,216</u>	<u>3,080,814</u>
Total deferred inflows of resource	-	230,216	3,080,814
<b>FUND BALANCES (DEFICIT):</b>			
Nonspendable	46,129	5,236	1,510
Restricted	38,650	3,557,311	1,915,307
Unassigned	-	-	-
	<u>84,779</u>	<u>3,562,547</u>	<u>1,916,817</u>
Total fund balances	84,779	3,562,547	1,916,817
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 84,779</u>	<u>\$ 4,463,675</u>	<u>\$ 5,079,800</u>

<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent</u>	
<u>Transportation</u>	<u>Public</u>	<u>Stockton Public</u>		
<u>Development</u>	<u>Facilities</u>	<u>Financing</u>		
<u>Act</u>	<u>Impact Fees</u>	<u>Authority</u>	<u>Miscellaneous</u>	<u>Totals</u>
\$ 282,016	\$ 32,898,456	\$ 959,468	\$ 402,109	\$ 63,961,449
-	193,151	1,598,434	-	3,050,810
-	11	88	997	1,171
-	312,651	-	-	829,822
-	-	-	-	10,767,012
-	449	-	-	316,952
-	1,034,295	-	-	1,034,295
-	-	-	-	30,426,099
<u>\$ 282,016</u>	<u>\$ 34,439,013</u>	<u>\$ 2,557,990</u>	<u>\$ 403,106</u>	<u>\$ 110,387,610</u>
\$ -	\$ 30,923	\$ 55,833	\$ -	\$ 2,671,307
-	-	-	-	15,592
-	-	-	-	9,274
-	-	-	-	324,234
-	-	-	-	1,683,858
-	-	19,224,239	-	19,224,239
-	30,923	19,280,072	-	23,928,504
-	-	-	-	30,426,099
-	312,651	-	-	823,732
-	312,651	-	-	31,249,831
-	-	-	389,889	442,994
282,016	34,095,439	3,947,202	13,217	75,435,565
-	-	(20,669,284)	-	(20,669,284)
<u>282,016</u>	<u>34,095,439</u>	<u>(16,722,082)</u>	<u>403,106</u>	<u>55,209,275</u>
<u>\$ 282,016</u>	<u>\$ 34,439,013</u>	<u>\$ 2,557,990</u>	<u>\$ 403,106</u>	<u>\$ 110,387,610</u>

**CITY OF STOCKTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
<b>REVENUES:</b>				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	4,211,901	-	-	-
Sales and use tax - levied by state	-	-	-	4,221,584
Other governmental	836,682	-	9,189,398	4,960,242
Charges for services	801,871	-	5,087	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Investment income:				
Interest income	5,559	19,178	13,360	14,529
Refunds and reimbursements	-	-	46,636	-
Miscellaneous	60,806	1,365,361	-	-
Total revenues	<u>5,916,819</u>	<u>1,384,539</u>	<u>9,254,481</u>	<u>9,196,355</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,098,940	-	-	-
Public safety	4,485,197	-	-	-
Public works	-	1,337,391	7,714,828	2,179,375
Library	113,757	-	-	-
Parks and recreation	861	-	12,416	-
Capital outlay	1,066,205	4,234	21,087	714,806
Debt service:				
Principal retirement	-	-	-	935,593
Interest and fiscal charges	-	-	-	22,586
Total expenditures	<u>6,764,960</u>	<u>1,341,625</u>	<u>7,748,331</u>	<u>3,852,360</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(848,141)</u>	<u>42,914</u>	<u>1,506,150</u>	<u>5,343,995</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	107,542	67	-	-
Transfers out	-	-	-	(5,433,357)
Bond insurers proceeds	-	-	-	-
Total other financing sources (uses)	<u>107,542</u>	<u>67</u>	<u>-</u>	<u>(5,433,357)</u>
<b>CHANGE IN FUND BALANCES</b>	<u>(740,599)</u>	<u>42,981</u>	<u>1,506,150</u>	<u>(89,362)</u>
<b>FUND BALANCES (DEFICITS), BEGINNING OF YEAR</b>	<u>911,659</u>	<u>1,929,657</u>	<u>1,089,848</u>	<u>6,002,354</u>
<b>FUND BALANCES (DEFICITS), END OF YEAR</b>	<u>\$ 171,060</u>	<u>\$ 1,972,638</u>	<u>\$ 2,595,998</u>	<u>\$ 5,912,992</u>

Special Revenue

Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grants / Loans Program
\$ 8,961,663	\$ -	\$ -	\$ -	\$ -
-	1,024,598	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	4,180,804	235,319	-
-	-	-	-	-
-	-	-	-	-
-	3,187,783	1,924	-	-
-	-	-	-	-
-	-	374,320	2,268,143	-
13,328	126,096	(4,090)	13,762	(168)
21	-	-	-	-
-	-	-	-	-
<u>8,975,012</u>	<u>4,338,477</u>	<u>4,552,958</u>	<u>2,517,224</u>	<u>(168)</u>
-	1,040,204	-	-	-
8,214,046	-	-	-	-
-	200,915	-	-	-
-	-	-	-	-
-	2,571,391	-	-	-
50,790	-	2,366,601	5,158,259	-
-	-	1,290,000	-	-
-	-	892,991	-	-
<u>8,264,836</u>	<u>3,812,510</u>	<u>4,549,592</u>	<u>5,158,259</u>	<u>-</u>
<u>710,176</u>	<u>525,967</u>	<u>3,366</u>	<u>(2,641,035)</u>	<u>(168)</u>
-	30,958	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>30,958</u>	<u>-</u>	<u>-</u>	<u>-</u>
710,176	556,925	3,366	(2,641,035)	(168)
<u>2,281,032</u>	<u>12,850,335</u>	<u>1,370,873</u>	<u>3,196,248</u>	<u>2,606,213</u>
<u>\$ 2,991,208</u>	<u>\$ 13,407,260</u>	<u>\$ 1,374,239</u>	<u>\$ 555,213</u>	<u>\$ 2,606,045</u>

**CITY OF STOCKTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

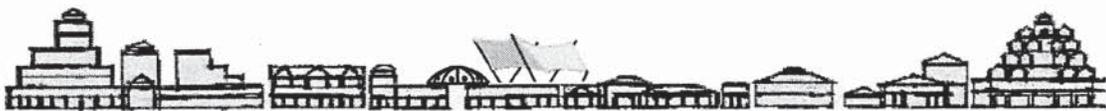
	Special Revenue		
	City Administration Building	Development Services	Other Special Revenue
<b>REVENUES:</b>			
Taxes:			
Sales - levied by City	\$ -	\$ -	\$ -
Business licenses	-	-	-
Other	-	-	-
Licenses and permits	-	3,370,449	74,944
Intergovernmental:			
Federal grants and subsidies	-	-	255
Sales and use tax - levied by state	-	-	-
Other governmental	-	42,258	76,941
Charges for services	-	3,803,466	63,872
Fines and forfeitures	-	37,795	-
Use of money and property	-	-	125,910
Investment income:			
Interest income	250	38,494	17,479
Refunds and reimbursements	-	56,645	4,501
Miscellaneous	(282)	140,960	221,122
Total revenues	(32)	7,490,067	585,024
<b>EXPENDITURES:</b>			
Current:			
General government	39,531	5,784,043	160,917
Public safety	-	1,447,516	256,806
Public works	-	-	-
Library	-	-	52,515
Parks and recreation	-	-	1,376
Capital outlay	-	256,272	85,805
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	39,531	7,487,831	557,419
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(39,563)	2,236	27,605
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	1,000,000	-
Transfers out	-	-	(123,425)
Bond insurers proceeds	-	-	-
Total other financing sources (uses)	-	1,000,000	(123,425)
<b>CHANGES IN FUND BALANCES</b>	(39,563)	1,002,236	(95,820)
<b>FUND BALANCES (DEFICITS), BEGINNING OF YEAR</b>	124,342	2,560,311	2,012,637
<b>FUND BALANCES (DEFICITS), END OF YEAR</b>	\$ 84,779	\$ 3,562,547	\$ 1,916,817

Special Revenue	Capital Projects	Debt Service	Permanent	
Transportation	Public	Stockton Public		
Development	Facilities	Financing	Miscellaneous	Totals
Act	Impact Fees	Authority		
\$ -	\$ -	\$ -	\$ -	\$ 8,961,663
-	-	-	-	1,024,598
392,258	-	-	-	392,258
-	-	-	-	3,445,393
-	-	-	-	8,628,279
-	-	-	-	4,221,584
-	-	-	-	15,105,521
-	2,083,206	-	-	9,947,209
-	-	-	-	37,795
-	29,885	-	-	2,798,258
1,626	318,168	(344)	5,419	582,646
-	-	-	-	107,803
-	-	775,304	-	2,563,271
393,884	2,431,259	774,960	5,419	57,816,278
-	-	459,423	1,565	8,584,623
-	-	-	-	14,403,565
-	-	-	-	11,432,509
-	-	-	-	166,272
-	-	-	-	2,586,044
-	909,500	-	-	10,633,559
-	646,793	6,717,099	-	9,589,485
-	111,063	3,634,594	-	4,661,234
-	1,667,356	10,811,116	1,565	62,057,291
393,884	763,903	(10,036,156)	3,854	(4,241,013)
-	7,364	1,850,317	5,535	3,001,783
(230,516)	(2,394,540)	-	(21,735)	(8,203,573)
-	-	7,800,397	-	7,800,397
(230,516)	(2,387,176)	9,650,714	(16,200)	2,598,607
163,368	(1,623,273)	(385,442)	(12,346)	(1,642,406)
118,648	35,718,712	(16,336,640)	415,452	56,851,681
\$ 282,016	\$ 34,095,439	\$ (16,722,082)	\$ 403,106	\$ 55,209,275





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***

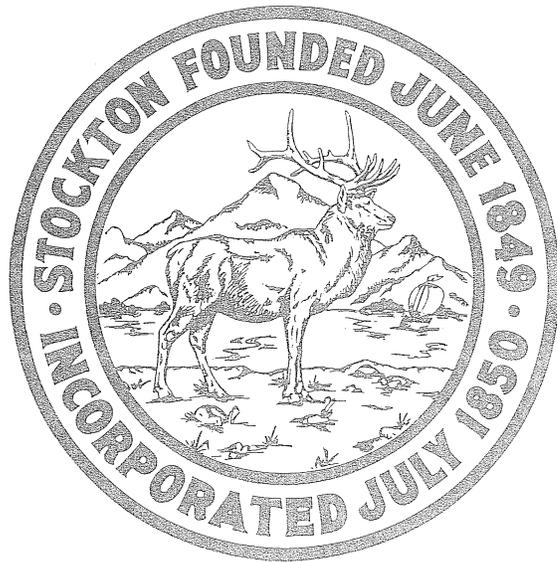
To account for residual activities as a result of final transition and outsourcing of garden refuse collection services.

### ***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, 2014**

	Garden Refuse	Downtown Marina	Golf Courses	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 196,511	\$ 388,517	\$ 585,028
Receivables, net:				
Accounts and other receivables	-	14,684	1,906	16,590
Prepaid items	-	6,127	13,072	19,199
Inventory of supplies	-	-	51,553	51,553
Total current assets	-	217,322	455,048	672,370
Noncurrent assets:				
Capital assets, net:				
Nondepreciable	-	-	359,805	359,805
Depreciable, net	-	24,964,656	797,839	25,762,495
Total noncurrent assets	-	24,964,656	1,157,644	26,122,300
Total assets	-	25,181,978	1,612,692	26,794,670
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	40,074	167,628	207,702
Deposits and other liabilities	-	40,346	69,892	110,238
Accrued interest	-	1,433,321	-	1,433,321
Due to other governments	-	-	799	799
Notes payable - current	-	615,631	-	615,631
Total current liabilities	-	2,129,372	238,319	2,367,691
Noncurrent liabilities:				
Notes payable	-	10,255,190	-	10,255,190
Total noncurrent liabilities	-	10,255,190	-	10,255,190
Total liabilities	-	12,384,562	238,319	12,622,881
<b>NET POSITION</b>				
Net investment in capital assets	-	14,093,835	1,157,644	15,251,479
Unrestricted (deficit)	-	(1,296,419)	216,729	(1,079,690)
Total net position	\$ -	\$ 12,797,416	\$ 1,374,373	\$ 14,171,789

**CITY OF STOCKTON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Garden Refuse	Downtown Marina	Golf Courses	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 50	\$ 191,010	\$ 951,079	\$ 1,142,139
Miscellaneous	17	3,453	724,077	727,547
Total operating revenues	<u>67</u>	<u>194,463</u>	<u>1,675,156</u>	<u>1,869,686</u>
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	-	388,386	1,971,535	2,359,921
Depreciation and amortization	-	536,972	68,759	605,731
Total operating expenses	<u>-</u>	<u>925,358</u>	<u>2,040,294</u>	<u>2,965,652</u>
<b>OPERATING INCOME (LOSS)</b>	<u>67</u>	<u>(730,895)</u>	<u>(365,138)</u>	<u>(1,095,966)</u>
<b>NON-OPERATING REVENUES AND EXPENSES:</b>				
Investment income:				
Interest income	-	1,497	(14,271)	(12,774)
Interest expense and fiscal charges	-	(482,128)	-	(482,128)
Total non-operating revenues (expenses)	<u>-</u>	<u>(480,631)</u>	<u>(14,271)</u>	<u>(494,902)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	67	(1,211,526)	(379,409)	(1,590,868)
Transfers in	-	160,000	450,000	610,000
Transfers out	<u>(67)</u>	<u>-</u>	<u>-</u>	<u>(67)</u>
<b>CHANGE IN NET POSITION</b>	-	(1,051,526)	70,591	(980,935)
<b>NET POSITION ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>13,848,942</u>	<u>1,303,782</u>	<u>15,152,724</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 12,797,416</u>	<u>\$ 1,374,373</u>	<u>\$ 14,171,789</u>

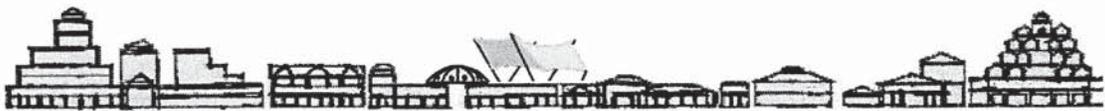
**CITY OF STOCKTON**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Garden Refuse	Downtown Marina	Golf Courses	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 67	\$ 208,949	\$ 1,650,299	\$ 1,859,315
Payments to suppliers	-	(369,861)	(1,912,030)	(2,281,891)
Payments to employees	-	(2,728)	(21,423)	(24,151)
Net cash provided by (used for) operating activities	67	(163,640)	(283,154)	(446,727)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases of capital assets	-	-	(36,118)	(36,118)
Long-term debt:				
Interest and financing fees paid	-	1	-	1
Net cash provided by (used for) noncapital financing activities	-	1	(36,118)	(36,117)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	160,000	450,000	610,000
Transfers out	(67)	-	-	(67)
Net cash provided by (used by) noncapital financing activities	(67)	160,000	450,000	609,933
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	-	1,497	(14,271)	(12,774)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	(2,142)	116,457	114,315
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-	198,653	272,060	470,713
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ -	\$ 196,511	\$ 388,517	\$ 585,028
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 67	\$ (730,895)	\$ (365,138)	\$ (1,095,966)
Adjustments to reconcile operating loss to net cash provided (used for) by operating activities:				
Depreciation and amortization	-	536,972	68,759	605,731
Changes in assets and liabilities:				
Accounts and other receivables	-	1,279	(1,906)	(627)
Prepays	-	776	(2,476)	(1,700)
Inventory of supplies	-	-	(7,968)	(7,968)
Accounts payable	-	15,021	71,927	86,948
Due to other governments	-	-	(31,369)	(31,369)
Deposits and other liabilities	-	13,207	(14,983)	(1,776)
Net cash provided by (used for) operating activities	\$ 67	\$ (163,640)	\$ (283,154)	\$ (446,727)





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***

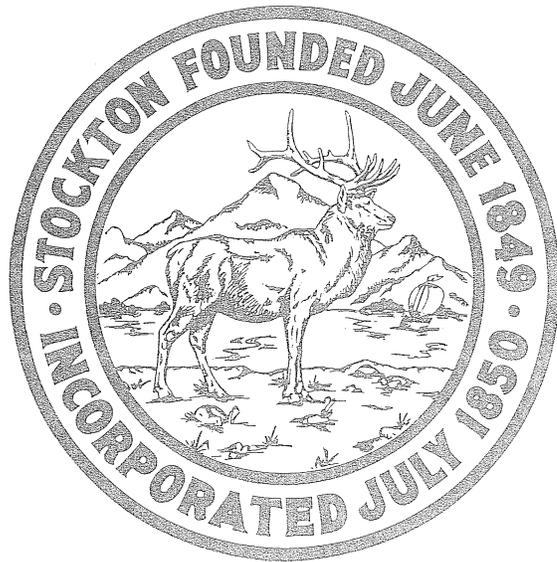
To account for premiums and claims paid and the administration of workers' compensation liability insurance provided to all City employees incurring injury on the job, of which health benefits and other related liability costs are funded by City department payments into the fund. The fund also accounts 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.



## **INTERNAL SERVICE FUNDS (Continued)**

### ***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, 2014**

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 8,529,850	\$ 16,615,184	\$ 8,760,705	\$ 4,821,710
Receivables, net:				
Accounts and other receivables	1,502,288	255	144,821	-
Advance Deposit	-	-	-	-
Due from other funds	-	2,685,755	-	-
Deposits and advances	-	-	1,159,000	-
Prepaid items	-	3,637	-	394,305
Total current assets	<u>10,032,138</u>	<u>19,304,831</u>	<u>10,064,526</u>	<u>5,216,015</u>
Noncurrent assets:				
Advances to other funds	499,277	-	-	-
Net pension asset	-	-	-	107,812,401
Capital assets, net	-	-	-	-
Total noncurrent assets	<u>499,277</u>	<u>-</u>	<u>-</u>	<u>107,812,401</u>
Total assets	<u>10,531,415</u>	<u>19,304,831</u>	<u>10,064,526</u>	<u>113,028,416</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	4,753	68,468	30,736	1,499
Due to other funds	-	-	-	-
Deposits and other liabilities	-	49,104	-	-
Accrued interest	-	-	-	2,225,812
Capital lease obligations - current	-	-	-	-
Compensated absences - current	4,574	12,556	23,534	-
Self-insurance claims and judgments - current	5,814,940	5,064,000	1,354,100	-
Other long-term debt - current	-	-	-	18,950,520
Total current liabilities	<u>5,824,267</u>	<u>5,194,128</u>	<u>1,408,370</u>	<u>21,177,831</u>
Noncurrent liabilities:				
Loans from other funds	-	500,000	-	-
Loan from Successor Agency	-	-	-	-
Compensated absences - long-term	3,864	3,157	17,211	-
Self-insurance claims and judgments - long-term	5,667,399	51,012,000	-	-
Capital lease obligations - long term	-	-	-	-
Bonds payable	-	-	-	119,970,000
Net OPEB obligation	-	-	123,657,524	-
Total noncurrent liabilities	<u>5,671,263</u>	<u>51,515,157</u>	<u>123,674,735</u>	<u>119,970,000</u>
Total liabilities	<u>11,495,530</u>	<u>56,709,285</u>	<u>125,083,105</u>	<u>141,147,831</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	-	-	-
Restricted for fleet and equipment replacement	-	-	-	-
Unrestricted (deficits)	<u>(964,115)</u>	<u>(37,404,454)</u>	<u>(115,018,579)</u>	<u>(28,119,415)</u>
Total net position	<u>\$ (964,115)</u>	<u>\$ (37,404,454)</u>	<u>\$ (115,018,579)</u>	<u>\$ (28,119,415)</u>

Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
\$ 3,525,164	\$ 4,694,160	\$ 9,437,015	\$ 837,100	\$ 1,937,143	\$ 59,158,031
-	857	-	-	290	1,648,511
-	-	-	-	-	-
-	-	-	-	-	2,685,755
-	-	111,668	-	-	1,270,668
-	-	467,039	-	51,516	916,497
<u>3,525,164</u>	<u>4,695,017</u>	<u>10,015,722</u>	<u>837,100</u>	<u>1,988,949</u>	<u>65,679,462</u>
-	-	-	-	-	499,277
-	-	-	-	-	107,812,401
-	11,633,478	1,331,834	727,113	234,529	13,926,954
-	<u>11,633,478</u>	<u>1,331,834</u>	<u>727,113</u>	<u>234,529</u>	<u>122,238,632</u>
<u>3,525,164</u>	<u>16,328,495</u>	<u>11,347,556</u>	<u>1,564,213</u>	<u>2,223,478</u>	<u>187,918,094</u>
30,587	468,925	394,463	57,965	79,479	1,136,875
-	-	-	-	-	-
-	-	-	-	-	49,104
-	42,932	-	-	13,120	2,281,864
-	229,028	-	-	310,663	539,691
208,825	82,795	171,535	9,856	8,807	522,482
-	-	-	-	-	12,233,040
-	-	-	-	-	18,950,520
<u>239,412</u>	<u>823,680</u>	<u>565,998</u>	<u>67,821</u>	<u>412,069</u>	<u>35,713,576</u>
-	-	-	-	-	500,000
-	-	-	-	-	-
87,593	26,346	73,425	-	-	211,596
-	-	-	-	-	56,679,399
-	1,885,259	-	-	-	1,885,259
-	-	-	-	-	119,970,000
-	-	-	-	-	123,657,524
<u>87,593</u>	<u>1,911,605</u>	<u>73,425</u>	<u>-</u>	<u>-</u>	<u>302,903,778</u>
<u>327,005</u>	<u>2,735,285</u>	<u>639,423</u>	<u>67,821</u>	<u>412,069</u>	<u>338,617,354</u>
-	9,519,191	1,331,834	727,113	(76,134)	11,502,004
-	4,074,019	9,376,299	769,279	1,887,543	16,107,140
3,198,159	-	-	-	-	(178,308,404)
<u>\$ 3,198,159</u>	<u>\$ 13,593,210</u>	<u>\$ 10,708,133</u>	<u>\$ 1,496,392</u>	<u>\$ 1,811,409</u>	<u>\$ (150,699,260)</u>

**CITY OF STOCKTON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 6,800,637	\$ 15,691,268	\$ 20,817,519	\$ 34,461,573
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	4,184,331	14,005,088	15,411,416	38,542,182
General and administrative	1,270,189	2,074,468	954,810	-
Depreciation and amortization	-	-	-	-
Total operating expenses	5,454,520	16,079,556	16,366,226	38,542,182
<b>OPERATING INCOME (LOSS)</b>	<b>1,346,117</b>	<b>(388,288)</b>	<b>4,451,293</b>	<b>(4,080,609)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Federal grants and subsidies	-	-	204,458	-
Investment income:				
Interest income	73,148	155,044	59,879	32,686
Loss from disposal of capital assets	-	-	-	-
Interest expense and fiscal charges	-	-	-	(7,536,132)
Other non-operating revenues	-	-	980,656	2
Total non-operating revenues (expenses)	73,148	155,044	1,244,993	(7,503,444)
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,419,265</b>	<b>(233,244)</b>	<b>5,696,286</b>	<b>(11,584,053)</b>
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>1,419,265</b>	<b>(233,244)</b>	<b>5,696,286</b>	<b>(11,584,053)</b>
<b>NET POSITION, BEGINNING OF YEAR</b> AS ORIGINALLY REPORTED	<b>(2,383,380)</b>	<b>(37,171,210)</b>	<b>(120,714,865)</b>	<b>(15,660,447)</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(874,915)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>(2,383,380)</b>	<b>(37,171,210)</b>	<b>(120,714,865)</b>	<b>(16,535,362)</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ (964,115)</b>	<b>\$ (37,404,454)</b>	<b>\$ (115,018,579)</b>	<b>\$ (28,119,415)</b>

<u>Other Benefits &amp; Insurance</u>	<u>Vehicle Fleet Equipment</u>	<u>Computer Equipment</u>	<u>Radio Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
\$ 2,068,986	\$ 9,677,046	\$ 9,480,271	\$ 1,092,975	\$ 1,938,441	\$ 102,028,716
1,664,263	6,130,670	6,589,053	799,120	1,174,774	88,500,897
-	1,317,624	-	-	-	5,617,091
-	2,111,415	379,264	121,882	124,627	2,737,188
1,664,263	9,559,709	6,968,317	921,002	1,299,401	96,855,176
404,723	117,337	2,511,954	171,973	639,040	5,173,540
-	-	-	-	-	204,458
16,600	43,201	76,293	6,833	14,433	478,117
-	261,986	-	-	-	261,986
-	(76,070)	-	-	(15,502)	(7,627,704)
-	-	-	-	-	980,658
16,600	229,117	76,293	6,833	(1,069)	(5,702,485)
421,323	346,454	2,588,247	178,806	637,971	(528,945)
-	880,504	342,677	-	-	1,223,181
-	778,697	162,593	-	-	941,290
-	(76,601)	-	-	-	(76,601)
421,323	1,929,054	3,093,517	178,806	637,971	1,558,925
2,776,836	11,664,156	7,614,616	1,317,586	1,173,438	(151,383,270)
-	-	-	-	-	(874,915)
2,776,836	11,664,156	7,614,616	1,317,586	1,173,438	(152,258,185)
\$ 3,198,159	\$ 13,593,210	\$ 10,708,133	\$ 1,496,392	\$ 1,811,409	\$ (150,699,260)

**CITY OF STOCKTON**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 5,922,949	\$ 15,695,721	\$ 21,111,245	\$ 34,067,270
Receipts for interfund services provided	-	-	980,656	394,307
Payments to suppliers	(2,774,177)	(11,797,293)	(16,603,884)	(31,849,623)
Payments to employees	(527,119)	(471,179)	(2,723,000)	(24,397)
Net cash provided by operating activities	2,621,653	3,427,249	2,765,017	2,587,557
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Federal grants and subsidies	-	-	204,458	-
Principal paid on pension obligation debt	-	-	-	7,575,867
Interest paid on pension obligation debt	-	-	-	(8,438,118)
Due from other funds	-	4,511,067	-	-
Advances to other funds	120,189	-	-	-
Net cash provided by (used for) noncapital financing activities	120,189	4,511,067	204,458	(862,251)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases of capital assets	-	-	-	-
Proceeds from debt	-	-	-	-
Principal paid on debt	-	-	-	-
Interest paid on debt	-	-	-	-
Net cash used for capital and related financing activities	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	73,148	155,044	59,879	32,686
Net cash provided by investing activities	73,148	155,044	59,879	32,686
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,814,990</b>	<b>8,093,360</b>	<b>3,029,354</b>	<b>1,757,992</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>5,714,860</b>	<b>8,521,824</b>	<b>5,731,351</b>	<b>3,063,718</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 8,529,850</b>	<b>\$ 16,615,184</b>	<b>\$ 8,760,705</b>	<b>\$ 4,821,710</b>

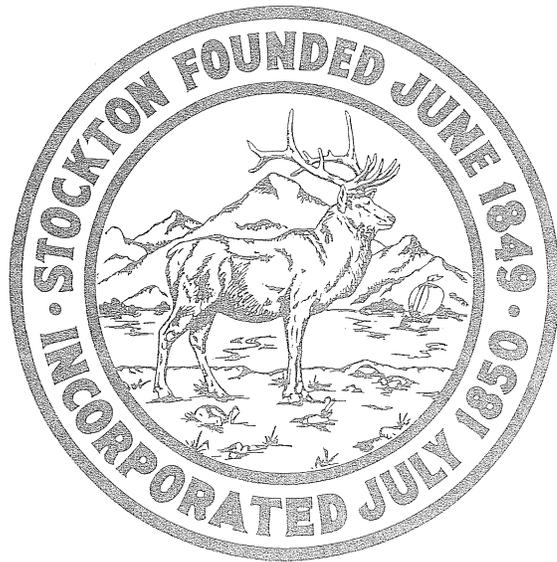
Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
\$ 2,068,986	\$ 9,676,792	\$ 9,480,271	\$ 1,092,975	\$ 1,948,805	\$ 101,065,014
-	-	-	-	-	1,374,963
(586,796)	(4,255,085)	(2,916,590)	(599,787)	(799,353)	(72,182,588)
(853,954)	(2,977,990)	(3,773,388)	(177,020)	(341,967)	(11,870,014)
<u>628,236</u>	<u>2,443,717</u>	<u>2,790,293</u>	<u>316,168</u>	<u>807,485</u>	<u>18,387,375</u>
-	778,697	162,593	-	-	941,290
-	(76,601)	-	-	-	(76,601)
-	-	-	-	-	204,458
-	-	-	-	-	7,575,867
-	-	-	-	-	(8,438,118)
-	-	-	-	-	4,511,067
-	-	-	-	-	120,189
<u>-</u>	<u>702,096</u>	<u>162,593</u>	<u>-</u>	<u>-</u>	<u>4,838,152</u>
-	(3,249,363)	(329,882)	(1)	(5,109)	(3,584,355)
-	1,871,404	-	-	-	1,871,404
-	(2,113,071)	-	-	(296,959)	(2,410,030)
-	(60,087)	-	-	(28,039)	(88,126)
<u>-</u>	<u>(3,551,117)</u>	<u>(329,882)</u>	<u>(1)</u>	<u>(330,107)</u>	<u>(4,211,107)</u>
<u>16,600</u>	<u>43,201</u>	<u>76,293</u>	<u>6,833</u>	<u>14,433</u>	<u>478,117</u>
<u>16,600</u>	<u>43,201</u>	<u>76,293</u>	<u>6,833</u>	<u>14,433</u>	<u>478,117</u>
644,836	(362,103)	2,699,297	323,000	491,811	19,492,537
<u>2,880,328</u>	<u>5,056,263</u>	<u>6,737,718</u>	<u>514,100</u>	<u>1,445,332</u>	<u>39,665,494</u>
<u>\$ 3,525,164</u>	<u>\$ 4,694,160</u>	<u>\$ 9,437,015</u>	<u>\$ 837,100</u>	<u>\$ 1,937,143</u>	<u>\$ 59,158,031</u>

**CITY OF STOCKTON**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance	Retirement Benefits
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 1,346,117	\$ (388,288)	\$ 4,451,293	\$ (4,080,609)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	-	-	-	-
Other non-operating revenues	-	-	980,656	2
Changes in assets and liabilities:				
Accounts and other receivables	(877,688)	8,090	293,726	2
Prepaid expenses	-	(3,637)	-	(394,305)
Deferred charges	-	-	-	1,286,552
Net Pension asset	-	-	-	5,775,916
Accounts payable	2,332	(66,426)	(143,926)	(1)
Compensated absences	(16,709)	8,510	6,262	-
Self-insurance - claims and judgments	2,167,601	3,869,000	(810,000)	-
Net OPEB obligation	-	-	(2,012,994)	-
Net cash provided by operating activities	<u>\$ 2,621,653</u>	<u>\$ 3,427,249</u>	<u>\$ 2,765,017</u>	<u>\$ 2,587,557</u>
<b>NONCASH TRANSACTIONS:</b>				
Transfer of capital assets from other funds	\$ -	\$ -	\$ -	\$ -
Prepaid cost of issuance expense	\$ -	\$ -	\$ -	\$ (394,305)

<u>Other Benefits &amp; Insurance</u>	<u>Vehicle Fleet Equipment</u>	<u>Computer Equipment</u>	<u>Radio Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
\$ 404,723	\$ 117,337	\$ 2,511,954	\$ 171,973	\$ 639,040	\$ 5,173,540
-	2,111,415	379,264	121,882	124,627	2,737,188
-	-	-	-	-	980,658
-	(254)	-	-	10,364	(565,760)
-	-	(393,413)	-	(6,518)	(797,873)
-	-	-	-	-	1,286,552
-	-	-	-	-	5,775,916
(72,905)	215,291	263,973	21,300	38,818	258,456
296,418	(72)	28,515	1,013	1,154	325,091
-	-	-	-	-	5,226,601
-	-	-	-	-	(2,012,994)
<u>\$ 628,236</u>	<u>\$ 2,443,717</u>	<u>\$ 2,790,293</u>	<u>\$ 316,168</u>	<u>\$ 807,485</u>	<u>\$ 18,387,375</u>

\$ -	\$ 880,504	\$ 342,677	\$ -	\$ -	\$ 1,223,181
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (394,305)





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*

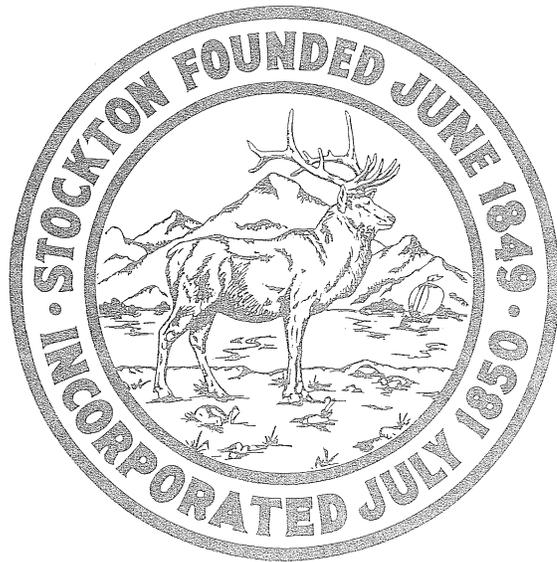
To account for fees collected on behalf of other governments and agencies related to community new development impacts.

### *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, 2014**

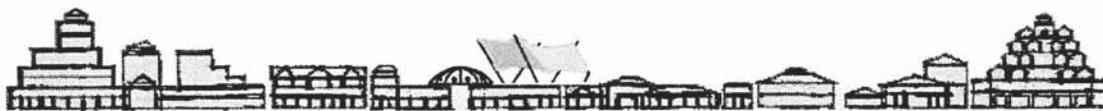
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Land Secured Financing</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 31,787,445	\$ 18,059,787	\$ 17,981,206	\$ 31,866,026
Cash and investments with fiscal agents	16,662,011	32,591,524	32,598,034	16,655,501
Receivables:				
Interest	60,974	19,751	60,974	19,751
Accounts and other receivables	31,699	-	596	31,103
Total assets	<u>\$ 48,542,129</u>	<u>\$ 50,671,062</u>	<u>\$ 50,640,810</u>	<u>\$ 48,572,381</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,669	\$ 45,296	\$ 53,084	\$ 1,881
Deposits and other liabilities	48,532,460	97,193,743	97,155,703	48,570,500
Total liabilities	<u>\$ 48,542,129</u>	<u>\$ 97,239,039</u>	<u>\$ 97,208,787</u>	<u>\$ 48,572,381</u>
<b><u>Area of Benefit Fees</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 13,736,233	\$ 153,083	\$ -	\$ 13,889,316
Total assets	<u>\$ 13,736,233</u>	<u>\$ 153,083</u>	<u>\$ -</u>	<u>\$ 13,889,316</u>
<b>LIABILITIES</b>				
Deposits and other liabilities	\$ 13,736,233	\$ 285,133	\$ 132,050	\$ 13,889,316
Total liabilities	<u>\$ 13,736,233</u>	<u>\$ 285,133</u>	<u>\$ 132,050</u>	<u>\$ 13,889,316</u>
<b><u>Public Facilities Fees</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 215,980	\$ 807,575	\$ 734,502	\$ 289,053
Total assets	<u>\$ 215,980</u>	<u>\$ 807,575</u>	<u>\$ 734,502</u>	<u>\$ 289,053</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 217,275	\$ 805,504	\$ 734,501	\$ 288,278
Due to other governments	(1,295)	808,215	806,145	775
Total liabilities	<u>\$ 215,980</u>	<u>\$ 1,613,719</u>	<u>\$ 1,540,646</u>	<u>\$ 289,053</u>

**CITY OF STOCKTON**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>Miscellaneous</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 5,006,518	\$ 35,318,281	\$ 35,328,140	\$ 4,996,659
Receivables:				
Accounts and other receivables	1,301,784	13,947,367	13,911,192	1,337,959
Total assets	<u>\$ 6,308,302</u>	<u>\$ 49,265,648</u>	<u>\$ 49,239,332</u>	<u>\$ 6,334,618</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 63,197	\$ 480,730	\$ 485,369	\$ 58,558
Due to other governments	14,927	235,648	178,463	72,112
Deposits and other liabilities	6,230,178	35,214,335	35,240,565	6,203,948
Total liabilities	<u>\$ 6,308,302</u>	<u>\$ 35,930,713</u>	<u>\$ 35,904,397</u>	<u>\$ 6,334,618</u>
 <b><u>All Other</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 167,002	\$ 139,782	\$ 148,611	\$ 158,173
Receivables:				
Accounts and other receivables	-	1,291	-	1,291
Due from other governments	1,413	-	1,413	-
Total assets	<u>\$ 168,415</u>	<u>\$ 141,073</u>	<u>\$ 150,024</u>	<u>\$ 159,464</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 33,324	\$ 106,465	\$ 136,973	\$ 2,816
Deposits and other liabilities	135,091	325,328	303,771	156,648
Total liabilities	<u>\$ 168,415</u>	<u>\$ 431,793</u>	<u>\$ 440,744</u>	<u>\$ 159,464</u>
 <b><u>Total</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 50,913,177	\$ 54,478,508	\$ 54,192,459	\$ 51,199,226
Cash and investments with fiscal agents	16,662,011	32,591,524	32,598,034	16,655,501
Receivables:				
Interest	60,974	19,751	60,974	19,751
Accounts and other receivables	1,333,483	13,948,658	13,911,788	1,370,353
Due from other governments	1,413	-	1,413	-
Total assets	<u>\$ 68,971,058</u>	<u>\$ 101,038,441</u>	<u>\$ 100,764,668</u>	<u>\$ 69,244,831</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 323,464	\$ 1,437,995	\$ 1,409,927	\$ 351,532
Due to other governments	13,632	1,043,863	984,608	72,887
Deposits and other liabilities	68,633,962	133,018,539	132,832,089	68,820,412
Total liabilities	<u>\$ 68,971,058</u>	<u>\$ 135,500,397</u>	<u>\$ 135,226,624</u>	<u>\$ 69,244,831</u>



CITY OF STOCKTON



**STATISTICAL SECTION**



## STATISTICAL SECTION

The Statistical Section provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends Information</b> .....	161
Helps readers understand how the City's financial position and well-being have changed over time.	
<b>Revenue Capacity Information</b> .....	172
Helps readers understand and assess the City's ability to generate its own sources of revenue, the most significant local revenue source being property tax.	
<b>Debt Capacity Information</b> .....	181
Helps readers understand and assess the City's current level of outstanding debt and its ability to issue additional debt.	
<b>Demographic and Economic Information</b> .....	189
Helps readers understand the socioeconomic environment within which the City's financial activities take place, and provides information to facilitate comparisons of financial statement information over time and among other governments.	
<b>Operating Information</b> .....	191
Information about the City's operations and resources to help readers use financial information to understand and assess the related services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF STOCKTON**

**TABLE 1**

**NET POSITION BY CLASSIFICATION**

**LAST TEN FISCAL YEARS**

**(Dollar amounts in thousands)**

	Fiscal Year				
	2014	2013	2012	2011	2010
Governmental activities:					
Net investment in capital assets	\$ 714,595	\$ 725,426	\$ 703,266	\$ 645,249	\$ 612,914
Restricted	96,596	93,905	84,099	122,730	188,655
Unrestricted	(62,855)	(82,351)	(114,859)	(169,356)	(139,549)
Total governmental activities net position	\$ 748,336	\$ 736,980	\$ 672,506	\$ 598,623	\$ 662,020
Business-type activities:					
Net investment in capital assets	\$ 413,783	\$ 418,881	\$ 432,082	\$ 414,066	\$ 402,215
Restricted	54,175	56,589	27,976	33,558	30,751
Unrestricted	42,641	38,380	54,340	61,172	41,442
Total business-type activities net position	\$ 510,599	\$ 513,850	\$ 514,398	\$ 508,796	\$ 474,408
Primary government:					
Net investment in capital assets	\$ 1,128,378	\$ 1,144,307	\$ 1,135,348	\$ 1,059,315	\$ 1,015,129
Restricted	150,771	150,494	112,075	156,288	219,406
Unrestricted	(20,214)	(43,971)	(60,519)	(108,184)	(98,107)
Total primary government net position	\$ 1,258,935	\$ 1,250,830	\$ 1,186,904	\$ 1,107,419	\$ 1,136,428

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

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

Source: City of Stockton Department of Administrative Services

Fiscal Year				
2009	2008	2007	2006	2005
\$ 611,775	\$ 594,070	\$ 636,838	\$ 603,068	\$ 529,250
162,363	172,088	161,995	154,758	134,804
(66,091)	(21,053)	(338)	(8,497)	(19,407)
<u>\$ 708,047</u>	<u>\$ 745,105</u>	<u>\$ 798,495</u>	<u>\$ 749,329</u>	<u>\$ 644,647</u>
\$ 400,551	\$ 399,813	\$ 387,198	\$ 368,222	\$ 348,229
35,408	39,568	46,850	48,454	55,386
42,449	39,138	32,645	30,465	30,282
<u>\$ 478,408</u>	<u>\$ 478,519</u>	<u>\$ 466,693</u>	<u>\$ 447,141</u>	<u>\$ 433,897</u>
\$ 1,012,326	\$ 993,883	\$ 1,024,036	\$ 971,290	\$ 877,479
197,771	211,656	208,845	203,212	190,190
(23,642)	18,085	32,307	21,968	10,875
<u>\$ 1,186,455</u>	<u>\$ 1,223,624</u>	<u>\$ 1,265,188</u>	<u>\$ 1,196,470</u>	<u>\$ 1,078,544</u>

**CITY OF STOCKTON**  
**TABLE 2**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Expenses</b>					
Governmental activities:					
General government	\$ 34,594	\$ 24,909	\$ 41,548	\$ 40,873	\$ 30,765
Public safety	124,806	108,931	154,230	182,582	187,647
Public works	51,942	49,259	34,635	48,826	56,416
Library	9,807	8,445	10,176	11,589	12,767
Parks and recreation	19,456	19,736	20,760	24,435	22,309
Interest and fiscal charges	14,486	14,615	20,529	19,274	20,430
Total governmental activities	\$ 255,091	\$ 225,895	\$ 281,878	\$ 327,579	\$ 330,334
Business-type activities:					
Water utility	\$ 44,720	\$ 48,570	\$ 30,162	\$ 35,909	\$ 28,856
Wastewater utility	55,724	51,166	51,530	49,234	45,958
Stormwater utility	5,758	5,959	6,685	7,406	7,842
Central parking district	5,120	4,944	4,903	4,264	4,616
Other	3,448	2,939	3,750	3,517	2,394
Total business-type activities	114,770	113,578	97,030	100,330	89,666
Total expenses	\$ 369,861	\$ 339,473	\$ 378,908	\$ 427,909	\$ 420,000
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 14,785	\$ 17,977	\$ 15,342	\$ 17,079	\$ 11,387
Public safety	21,016	18,130	15,002	16,765	18,812
Public works	5,178	6,136	6,255	15,005	17,755
Library	437	670	719	593	504
Parks and recreation	5,655	6,597	6,037	7,353	6,464
Operating grants and contributions	18,840	23,827	20,460	22,355	17,251
Capital grants and contributions	36,052	57,146	54,487	50,112	40,661
Total governmental activities	\$ 101,963	\$ 130,483	\$ 118,302	\$ 129,262	\$ 112,834
Business-type activities:					
Charges for services:					
Water utility	\$ 37,855	\$ 37,464	\$ 33,308	\$ 30,056	\$ 25,775
Wastewater utility	59,953	55,369	50,324	42,598	37,271
Stormwater utility	5,571	5,503	5,888	5,879	5,655
Central parking district	2,882	2,669	3,487	3,585	3,672
Other	1,870	1,934	2,071	1,852	1,701
Operating grants and contributions	3,865	4,175	4,175	4,175	2,482
Capital grants and contributions	1,112	4,700	10,139	15,960	4,917
Total business-type activities	113,108	111,814	109,392	104,105	81,473
Total program revenues	\$ 215,071	\$ 242,297	\$ 227,694	\$ 233,367	\$ 194,307
<b>Change in Net Position</b>					
Governmental activities	\$ (153,128)	\$ (95,412)	\$ (163,576)	\$ (198,317)	\$ (217,500)
Business-type activities	(1,662)	(1,764)	12,362	3,775	(8,193)
Total primary government	\$ (154,790)	\$ (97,176)	\$ (151,214)	\$ (194,542)	\$ (225,693)

		Fiscal Year							
		2009	2008	2007	2006	2005			
\$	33,923	\$	27,819	\$	26,517	\$	20,171	\$	19,894
	190,692		181,187		161,895		149,512		145,703
	43,985		134,737		59,897		36,481		33,328
	14,852		14,723		13,261		13,545		13,190
	26,038		33,138		27,429		26,352		19,365
	19,620		17,921		11,746		4,136		4,346
\$	329,110	\$	409,525	\$	300,745	\$	250,197	\$	235,826
\$	24,146	\$	22,070	\$	21,750	\$	19,063	\$	14,809
	49,414		40,045		42,084		36,458		31,607
	8,129		6,696		7,219		6,009		5,653
	4,810		5,002		4,238		3,162		2,487
	2,237		2,093		2,057		2,460		2,448
	88,736		75,906		77,348		67,152		57,004
\$	417,846	\$	485,431	\$	378,093	\$	317,349	\$	292,830
\$	13,180	\$	12,141	\$	8,429	\$	10,154	\$	11,264
	22,131		30,738		32,447		37,603		39,329
	19,750		30,429		21,140		35,054		23,733
	4,800		1,462		1,105		1,489		1,920
	2,104		9,741		9,957		12,407		9,988
	16,051		10,352		11,065		12,388		9,715
	33,112		43,874		83,238		45,745		44,309
\$	111,128	\$	138,737	\$	167,381	\$	154,840	\$	140,258
\$	24,258	\$	22,882	\$	23,092	\$	20,268	\$	20,125
	35,607		33,661		33,099		32,746		31,926
	5,498		6,160		5,088		5,063		4,751
	3,934		3,815		3,474		3,502		2,696
	-		-		-		-		-
	1,845		2,065		1,988		2,284		2,433
	4,409		13,251		23,721		20,324		28,655
	75,551		81,834		90,462		84,187		90,586
\$	186,679	\$	220,571	\$	257,843	\$	239,027	\$	230,844
\$	(217,982)	\$	(270,788)	\$	(133,364)	\$	(95,357)	\$	(95,568)
	(13,185)		5,928		13,114		17,035		33,582
\$	(231,167)	\$	(264,860)	\$	(120,250)	\$	(78,322)	\$	(61,986)

**CITY OF STOCKTON**  
**TABLE 2 (Continued)**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>General Revenues and Other</b>					
<b>Change in Net Position:</b>					
Governmental activities:					
Taxes:					
Property	\$ 28,015	\$ 29,420	\$ 32,772	\$ 41,051	\$ 45,549
In lieu of sales tax	9,706	9,938	8,392	8,118	7,087
Utility user	32,370	31,941	31,505	30,994	30,717
Sales - levied by City (1)	15,536	9,086	8,576	7,875	7,652
Franchise fees	11,981	11,677	12,465	11,503	11,354
Business licenses	10,392	10,153	9,873	9,855	9,717
Hotel/motel room	2,080	2,006	1,933	1,799	1,749
Document transfer	564	458	603	583	559
Other	728	287	159	155	203
Shared revenue:					
Vehicle license fees	18,069	17,433	17,734	20,014	20,468
Sales and use tax levied by state	35,111	34,031	32,604	30,061	28,856
Other	253	400	-	352	361
Investment earnings	1,128	123	2,802	1,620	5,927
Gain on sale of capital assets	(3,712)	(1)	-	-	8
Miscellaneous	3,042	2,411	974	1,083	172
Special item	-	-	-	3,270	(288)
Transfers	1,330	524	1,718	542	1,382
Extraordinary items	-	-	75,350	-	-
<b>Total governmental activities</b>	<b>\$ 166,593</b>	<b>\$ 159,887</b>	<b>\$ 237,460</b>	<b>\$ 168,875</b>	<b>\$ 171,473</b>
Business-type activities:					
Other taxes	\$ 1,166	\$ 1,197	\$ 1,205	\$ 1,152	\$ 1,095
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	1,448	530	1,865	3,176	4,192
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	431	14	(18,012)	-	-
Special item	-	-	-	-	288
Transfers	(1,330)	(524)	(1,718)	(542)	(1,382)
<b>Total business-type activities</b>	<b>1,715</b>	<b>1,217</b>	<b>(16,660)</b>	<b>3,786</b>	<b>4,193</b>
<b>Total general revenues and other changes in net assets</b>	<b>\$ 168,308</b>	<b>\$ 161,104</b>	<b>\$ 220,800</b>	<b>\$ 172,661</b>	<b>\$ 175,666</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 13,465	\$ 64,475	\$ 73,884	\$ (29,442)	\$ (46,027)
Business-type activities	53	(547)	(4,298)	7,561	(4,000)
<b>Total primary government</b>	<b>\$ 13,518</b>	<b>\$ 63,928</b>	<b>\$ 69,586</b>	<b>\$ (21,881)</b>	<b>\$ (50,027)</b>

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

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

(2) In fiscal year 2010-11 Net Assets were restated for prior period restatements for the Government activities and Business-type activities. See financial statement footnote #15 prior period restatements for more information.

Source: City of Stockton Department of Administrative Services

		Fiscal Year							
		2009	2008	2007	2006	2005			
\$	58,640	\$	63,998	\$	60,015	\$	47,495	\$	33,723
	9,823		10,164		11,070		9,274		8,750
	30,854		30,861		30,101		34,313		34,908
	7,921		9,409		9,249		9,941		1,047
	11,608		11,537		10,817		10,333		9,812
	9,699		10,772		10,285		11,222		8,960
	1,962		2,287		2,180		2,171		2,160
	702		686		1,187		2,010		2,036
	234		246		257		218		373
	23,459		24,051		22,661		18,173		14,548
	31,245		36,098		36,745		42,063		37,198
	370		389		384		456		1,589
	13,104		15,007		11,436		3,457		5,554
	127		88		-		-		-
	722		756		786		1,010		6,603
	(8,736)		-		-		-		-
	803		1,049		516		7,903		8,076
	-		-		-		-		-
\$	192,537	\$	217,398	\$	207,689	\$	200,039	\$	175,337
\$	1,066	\$	1,055	\$	981	\$	713	\$	733
	-		-		-		-		881
	4,075		5,892		5,973		3,399		3,842
	-		-		-		-		-
	-		-		-		-		-
	8,736		-		-		-		-
	(803)		(1,049)		(516)		(7,903)		(8,076)
	13,074		5,898		6,438		(3,791)		(2,620)
\$	205,611	\$	223,296	\$	214,127	\$	196,248	\$	172,717
\$	(25,445)	\$	(53,390)	\$	74,325	\$	104,682	\$	79,769
	(111)		11,826		19,552		13,244		30,962
\$	(25,556)	\$	(41,564)	\$	93,877	\$	117,926	\$	110,731

CITY OF STOCKTON

TABLE 3

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Dollar amounts in thousands)

	Fiscal Year					Fiscal Year				
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	\$ 500	\$ 409	\$ 355	\$ 317	\$ 13,466	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,551	2,334	2,100	2,100	2,100	-	-	-	-	-
Committed	34,008	23,775	8,070	5,081	1,851	-	-	-	-	-
Assigned	3,059	1,710	4,111	4,758	5,730	-	-	-	-	-
Unassigned	9,751	3,093	-	-	-	-	-	-	-	-
Total General Fund	\$ 50,869	\$ 31,321	\$ 14,636	\$ 12,256	\$ 23,147	\$ -	\$ -	\$ -	\$ -	\$ -
All other governmental funds										
Nonspendable	\$ 443	\$ 369	\$ 370	\$ 304	\$ 1,604	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	81,435	75,157	83,636	115,700	228,190	-	-	-	-	-
Committed	-	-	-	-	67,466	-	-	-	-	-
Assigned	-	-	-	-	1,815	-	-	-	-	-
Unassigned	(20,669)	(18,793)	(18,775)	(15,017)	(63,475)	-	-	-	-	-
Total all other governmental funds	\$ 61,209	\$ 56,733	\$ 65,231	\$ 100,987	\$ 235,600	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fund Balance	\$ 112,078	\$ 88,054	\$ 79,867	\$ 113,243	\$ 258,747	\$ -	\$ -	\$ -	\$ -	\$ -

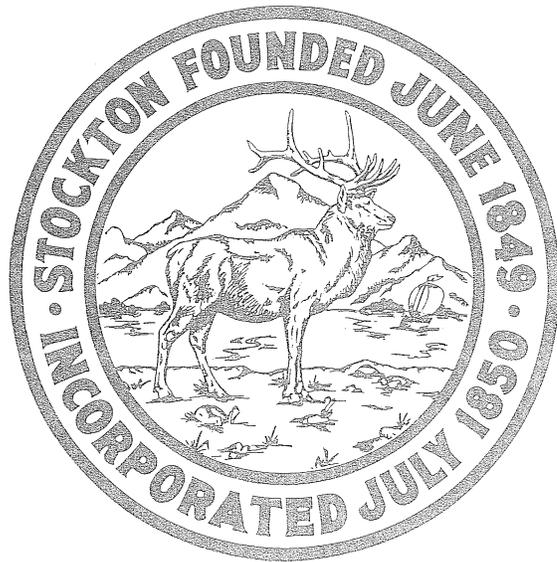
	Fiscal Year					Fiscal Year				
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,175	\$ 13,498	\$ 13,231	\$ 8,352	\$ 6,958
Unreserved	-	-	-	-	-	8,607	9,627	15,761	23,116	16,506
Total General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,782	\$ 23,125	\$ 28,992	\$ 31,468	\$ 23,464
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 285,941	\$ 289,368	\$ 298,541	\$ 197,170	\$ 246,051
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	6,417	24,677	3,986	(20,727)	(57,435)
Debt service funds	-	-	-	-	-	-	38	(196)	(213)	(42)
Capital projects funds	-	-	-	-	-	(53,248)	(25,307)	(27,899)	(26,296)	(27,487)
Permanent Fund	-	-	-	-	-	358	333	297	252	265
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,468	\$ 289,109	\$ 274,729	\$ 150,186	\$ 161,352
Total Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,250	\$ 312,234	\$ 303,721	\$ 181,654	\$ 184,816

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.

Source: City of Stockton Department of Administrative Services



**CITY OF STOCKTON**

**TABLE 4**

**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

**(Dollar amounts in thousands)**

	Fiscal Year		
	2014	2013	2012
<b>Revenues:</b>			
Taxes:			
Property	\$ 28,014	\$ 29,420	\$ 32,772
In lieu of sales tax	9,706	9,938	8,392
Utility user	32,369	31,941	31,505
Sales (levied by City) (1)	15,536	9,086	8,576
Franchise fees	11,981	11,677	12,465
Business license	10,392	10,153	9,873
Hotel/motel room	2,080	2,006	1,933
Document transfer	565	458	603
Other	728	287	159
Licenses and permits	3,808	3,696	4,024
Federal grants and subsidies	22,453	23,158	19,927
Other shared revenue (sales and use tax levied by state) (1)	35,111	34,031	32,604
Other governmental	47,951	71,746	66,985
Charges for services	19,410	19,059	21,655
Fines and forfeitures	2,925	2,419	2,792
Use of money and property	9,536	13,767	11,848
Investment income:			
Interest income	650	119	2,367
Refunds and reimbursements	2,401	1,814	3,213
Miscellaneous	7,707	6,942	6,088
Total revenues	<u>\$ 263,323</u>	<u>\$ 281,717</u>	<u>\$ 277,781</u>
<b>Expenditures:</b>			
Current:			
General government	\$ 25,510	\$ 23,245	\$ 22,742
Public safety	129,030	125,331	139,047
Public works	14,458	13,498	13,989
Library	9,793	9,039	9,537
Parks and recreation	17,202	17,733	16,887
Capital outlay	43,273	72,568	68,005
Debt service:			
Principal retirement	9,589	9,013	5,883
Cost of issuance	-	-	-
Interest and fiscal charges	4,661	5,957	13,531
Total expenditures	<u>253,516</u>	<u>276,384</u>	<u>289,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,807</u>	<u>\$ 5,333</u>	<u>\$ (11,840)</u>

							Fiscal Year						
2011		2010		2009		2008		2007		2006		2005	
\$	41,051	\$	45,549	\$	58,640	\$	63,998	\$	60,015	\$	47,495	\$	33,723
	8,118		7,087		9,823		10,164		11,070		9,274		8,750
	30,994		30,717		30,854		30,861		30,101		34,313		34,908
	7,875		7,652		7,921		9,409		9,249		9,941		1,047
	11,503		11,354		11,608		11,537		10,817		10,333		9,812
	9,855		9,717		9,699		10,772		10,285		11,222		8,960
	1,799		1,749		1,962		2,287		2,180		2,171		2,160
	583		559		702		686		1,187		2,010		2,036
	155		203		234		246		257		218		193
	3,584		4,257		4,335		5,273		6,777		8,960		11,112
	33,244		26,034		12,976		13,617		26,532		21,529		10,465
	30,061		28,856		31,245		36,098		36,745		42,063		35,904
	47,929		47,779		53,498		59,976		63,064		52,402		44,737
	21,262		26,174		31,462		55,244		51,739		66,443		61,903
	3,538		5,090		4,499		3,321		3,323		3,933		3,250
	14,966		11,962		13,234		12,922		9,709		6,274		3,370
	1,339		5,352		11,375		13,100		9,789		2,831		5,019
	9,790		5,186		4,113		4,253		8,199		8,284		5,524
	7,594		8,449		13,429		8,515		9,163		8,707		11,662
\$	285,240	\$	283,726	\$	311,609	\$	352,279	\$	360,201	\$	348,403	\$	294,535
\$	30,900	\$	21,818	\$	24,272	\$	22,285	\$	20,030	\$	23,935	\$	23,520
	152,527		152,714		163,339		168,372		163,479		157,299		142,211
	13,528		14,029		16,113		18,464		19,478		30,959		27,346
	10,252		11,041		12,485		13,432		12,648		13,283		12,391
	19,669		17,948		22,376		27,185		25,747		25,637		17,931
	66,975		84,194		105,384		135,071		98,819		101,399		108,560
	22,661		11,739		3,973		1,017		591		689		669
	-		846		99		777		2,069		341		22
	12,706		12,523		11,938		10,771		7,892		4,314		4,183
	329,218		326,852		359,979		397,374		350,753		357,856		336,833
\$	(43,978)	\$	(43,126)	\$	(48,370)	\$	(45,095)	\$	9,448	\$	(9,453)	\$	(42,298)

**CITY OF STOCKTON**

**TABLE 4 (Continued)**

**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

**(Dollar amounts in thousands)**

	Fiscal Year		
	2014	2013	2012
<b>Other financing sources (uses):</b>			
Capital contributions	-	-	-
Transfers in	13,497	30,678	24,706
Transfers out	(13,031)	(30,360)	(25,450)
Bond insurers proceeds	7,800	8,287	-
Operating transfers out to a component unit	-	-	-
Issuance of long-term debt	-	-	533
Sales of capital assets	200	-	-
Payment to refunded bond escrow agent	-	-	-
Premiums on debt issuances	-	-	-
Discounts on debt issuances	-	-	-
Total other financing sources (uses)	<u>8,466</u>	<u>8,605</u>	<u>(211)</u>
Special items	-	-	(21,324)
Net change in fund balance	18,273	13,938	(33,375)
Fund balance, beginning of year, original	93,805	79,868	113,244
Prior period restatement	-	-	-
Fund balance, beginning of year, restated	<u>93,805</u>	<u>79,868</u>	<u>113,244</u>
Fund balance, end of year	<u>\$ 112,078</u>	<u>\$ 93,806</u>	<u>\$ 58,545</u>
Debt service as a percentage of noncapital expenditures	7.5%	7.1%	8.9%

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

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

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

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
(284)	-	-	-	-	-	-
78,125	35,341	46,051	59,991	78,825	45,192	46,449
(74,128)	(34,357)	(45,381)	(59,839)	(80,506)	(38,821)	(39,845)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
30	39,702	6,343	53,436	110,509	14,608	592
1,127	-	109	44	5	2	2
-	-	-	-	-	(14,604)	-
-	-	-	-	2,377	-	-
-	(775)	-	(24)	-	(86)	-
4,870	39,911	7,122	53,608	111,210	6,291	7,198
3,270	(288)	(8,736)	-	-	-	-
(35,838)	(3,503)	(49,984)	8,513	120,658	(3,162)	(35,100)
258,748	262,250	312,234	303,721	183,063	184,816	219,916
(109,666)	-	-	-	-	-	-
149,082	262,250	312,234	303,721	183,063	184,816	219,916
\$ 116,514	\$ 258,459	\$ 253,514	\$ 312,234	\$ 303,721	\$ 181,654	\$ 184,816
13.4%	9.9%	5.9%	4.2%	3.7%	2.1%	2.2%

**CITY OF STOCKTON**

**TABLE 5**

**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

**(Dollar amounts in thousands)**

	Fiscal Year					
	2014	2013	2012	2011	2010	2009
Property (1)	\$ 28,014	\$ 29,420	\$ 32,772	\$ 41,051	\$ 45,549	\$ 58,640
In lieu of sales tax (2)	9,706	9,938	8,392	8,118	7,087	9,823
Utility user (3)	32,369	31,941	31,505	30,994	30,717	30,854
Sales (levied by city) (4)	15,536	9,086	8,576	7,875	7,652	7,921
Franchise fees (5)	11,981	11,677	12,465	11,503	11,354	11,608
Business licenses (6)	10,392	10,153	9,873	9,855	9,717	9,699
Hotel/motel room	2,080	2,006	1,933	1,799	1,749	1,962
Document transfer (7)	565	458	603	583	559	702
Special assessments (8)	-	-	-	-	-	-
Other	728	287	159	155	203	234
<b>Totals</b>	<b>\$ 111,371</b>	<b>\$ 104,966</b>	<b>\$ 106,278</b>	<b>\$ 111,933</b>	<b>\$ 114,587</b>	<b>\$ 131,443</b>

(1) Property taxes decreased beginning in 2009 due to declining residential home values and foreclosures, resulting in a devaluation of City’s assessed valuation performed by San Joaquin County.

(2) Effective with fiscal year 2005, the City began receiving property tax in-lieu of sales tax under provisions of Proposition 1A approved by the voters of the State of California. Fluctuations are due to the value of property when sold.

(3) The City Council approved a resolution in fiscal year 2005 to reduce the utility user tax rate from 8% to 6%, with the final reduction from 7% to 6% effective July 1, 2006. Mild winter weather combined with lower prices for natural gas to PG & E customers added to the overall reduction in revenues since 2006.

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

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

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

(7) Document transfer fees are charged when property changes ownership. Home and other property sales have slowed considerably since 2006.

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

Source: City of Stockton Department of Administrative Services

Fiscal Year					
2008	2007	2006	2005		% Change 2005 (or inception) to 2014
\$ 63,998	\$ 60,015	\$ 47,495	\$ 33,723		-17%
10,164	11,070	9,274	8,750		11%
30,861	30,101	34,313	34,908		-7%
9,409	9,249	9,941	1,047		1384%
11,537	10,817	10,333	9,812		22%
10,772	10,285	11,222	8,960		16%
2,287	2,180	2,171	2,160		-4%
686	1,187	2,010	2,036		-72%
-	-	-	-		0%
246	257	218	193		277%
<u>\$ 139,960</u>	<u>\$ 135,161</u>	<u>\$ 126,977</u>	<u>\$ 101,589</u>		<u>10%</u>

**CITY OF STOCKTON**

**TABLE 6**

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

	Fiscal Year			
	2014	2013	2012	2011
Secured roll	\$ 16,981,109	\$ 16,272,927	\$ 16,575,192	\$ 17,388,579
Utility roll	6,228	7,504	7,204	7,119
Unsecured roll	1,557,131	1,566,497	1,566,928	1,606,951
Gross assessed value	\$ 18,544,468	\$ 17,846,928	\$ 18,149,324	\$ 19,002,649
Less exemptions (1)	1,699,348	1,608,513	1,654,143	1,584,109
Net assessed value	\$ 16,845,120	\$ 16,238,415	\$ 16,495,181	\$ 17,418,540
Land	\$ 4,597,437	\$ 4,019,017	\$ 4,168,722	\$ 4,461,053
Improvements	12,868,329	12,696,221	12,846,828	13,284,209
Personal property	1,078,702	1,131,690	1,133,774	1,257,387
Gross assessed value	\$ 18,544,468	\$ 17,846,928	\$ 18,149,324	\$ 19,002,649
Less exemptions (1)	1,699,348	1,608,513	1,654,143	1,584,109
Net assessed value	\$ 16,845,120	\$ 16,238,415	\$ 16,495,181	\$ 17,418,540
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%

(1) For FY 2014, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$234,371,452 and other - \$1,464,976,489 = \$1,699,347,941.

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

Source: San Joaquin County Auditor-Controller's Office

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 18,339,819	\$ 20,988,391	\$ 21,520,451	\$ 19,823,995	\$ 16,860,177	\$ 14,398,725
7,081	5,633	5,652	14,092	15,883	16,316
1,628,749	1,588,293	1,234,912	1,195,948	1,127,627	1,015,499
\$ 19,975,649	\$ 22,582,317	\$ 22,761,015	\$ 21,034,035	\$ 18,003,687	\$ 15,430,540
1,514,454	1,398,902	1,302,249	1,238,271	1,185,310	1,111,509
\$ 18,461,195	\$ 21,183,415	\$ 21,458,766	\$ 19,795,764	\$ 16,818,377	\$ 14,319,031
\$ 4,817,327	\$ 6,387,373	\$ 6,661,962	\$ 5,992,555	\$ 4,811,339	\$ 4,104,660
13,910,082	14,984,980	15,092,621	14,034,608	12,251,910	10,509,572
1,248,240	1,209,964	1,006,432	1,006,872	940,438	816,308
\$ 19,975,649	\$ 22,582,317	\$ 22,761,015	\$ 21,034,035	\$ 18,003,687	\$ 15,430,540
1,514,454	1,398,902	1,302,249	1,238,271	1,185,310	1,111,509
\$ 18,461,195	\$ 21,183,415	\$ 21,458,766	\$ 19,795,764	\$ 16,818,377	\$ 14,319,031
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**CITY OF STOCKTON**

**TABLE 7**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**LAST TEN FISCAL YEARS**

**(Rate per \$100 of assessed value)**

<b>Fiscal Year</b>	<b>Basic Countywide Levy</b>	<b>City</b>	<b>Total Direct</b>	<b>Stockton Unified School District (1)</b>	<b>San Joaquin Delta College District</b>	<b>Total</b>
2014	1.0000	-	1.0000	0.2105	0.0194	1.2299
2013	1.0000	-	1.0000	0.1917	0.0202	1.2119
2012	1.0000	-	1.0000	0.1601	0.0200	1.1801
2011	1.0000	-	1.0000	0.1730	0.0194	1.1924
2010	1.0000	-	1.0000	0.1273	0.0180	1.1453
2009	1.0000	-	1.0000	0.1497	0.0160	1.1657
2008	1.0000	-	1.0000	0.1514	0.0015	1.1529
2007	1.0000	-	1.0000	0.0929	0.0183	1.1112
2006	1.0000	-	1.0000	0.0545	0.0134	1.0679
2005	1.0000	-	1.0000	0.0545	0.0134	1.0679

(1) Stockton Unified School District Building Loan Repayment.

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

Source: San Joaquin County Tax Rate Book

**CITY OF STOCKTON**

**TABLE 8**

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

Taxpayer	Fiscal Year					
	2014			2005		
	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	\$ 119,813	1	0.782 %	\$ -	-	- %
Simpson Manufacturing Co Inc	85,055	2	0.555	45,617	3	0.322
Buzz Oates LLC	72,793	3	0.475	-	-	-
Diamond Walnut Growers Inc	69,481	4	0.453	47,576	2	0.336
Corn Products International Inc	67,429	5	0.440	68,502	1	0.483
ARC BBSNCA001	66,430	6	0.433	-	-	-
A G Spanos Construction Inc	65,548	7	0.428	-	-	-
Wal Mart Real Estate Bus Trust/Sam's	56,763	8	0.370	-	-	-
Central Valley Indl Core Hold	54,442	9	0.355	-	-	-
Prologis	51,012	10	0.333	-	-	-
Pavillions Apartments LP	-	-	-	37,727	4	0.266
TRU Properties	-	-	-	37,167	5	0.262
POSDEF Power Co	-	-	-	36,159	6	0.255
Ralphs Grocery Company	-	-	-	30,720	7	0.217
Washington Mutual Bank	-	-	-	29,676	8	0.209
ONI stockton Inc. - The Record	-	-	-	28,044	9	0.198
Stockton Park West Place L	-	-	-	26,629	10	0.188
Principal Secured Property Valuation	\$ 708,766		4.624 %	\$ 387,817		2.737 %
Other Secured Taxpayers	16,272,343		106.160	14,932,451		105.394
Total Secured Property Valuation Before Exemptions	\$ 16,981,109		110.784 %	\$ 15,320,268		108.132 %
Less Exemptions relative to secured tax roll (1)	1,653,022		10.784	1,152,092		8.132
Total Secured Property Valuation	\$ 15,328,087		100.000 %	\$ 14,168,176		100.000 %

(1) Exemptions relative to secured tax roll:

FY 2014 - homeowners - \$234,275 and other - \$1,418,747 = \$1,653,022

FY 2005 - homeowners - \$268,803 and other - \$883,289 = \$1,152,092

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

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

**CITY OF STOCKTON**

**TABLE 9**

**SECURED PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

**(Dollar amounts in thousands)**

Fiscal Year	Secured Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy (1)		Amount	Percent of Levy
2014	\$ 25,952	\$ 25,952	100 %	-	\$ 25,952	100 %
2013	\$ 24,745	\$ 24,745	100 %	-	\$ 24,745	100 %
2012	\$ 24,785	\$ 24,785	100 %	-	\$ 24,785	100 %
2011	\$ 26,519	\$ 26,519	100 %	-	\$ 26,519	100 %
2010	\$ 22,150	\$ 22,150	100 %	-	\$ 22,150	100 %
2009	\$ 31,134	\$ 31,134	100 %	-	\$ 31,134	100 %
2008	\$ 33,633	\$ 33,633	100 %	-	\$ 33,633	100 %
2007	\$ 33,891	\$ 33,891	100 %	-	\$ 33,891	100 %
2006	\$ 30,661	\$ 30,661	100 %	-	\$ 30,661	100 %
2005	\$ 26,685	\$ 26,685	100 %	-	\$ 26,685	100 %

(1) Per agreement with San Joaquin County; the County provides the City of Stockton with 100% of the amount owed to the City of Stockton for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of delinquency and penalty revenues collected.

Source: San Joaquin County Auditor-Controller's Office

**CITY OF STOCKTON**

**TABLE 10**

**WATER SOLD BY CUSTOMER TYPE**

**LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2014	2013	2012	2011	2010
<b><u>Type of Customer</u></b>					
Residential	9,303,185 cf	9,834,835 cf	9,330,690 cf	9,151,563 cf	9,666,100 cf
Institutional	651,307	2,379,843	646,754	629,802	607,127
Commercial/Industrial	1,596,477	1,678,854	1,593,141	1,620,597	1,521,663
Irrigation	<u>1,531,137</u>	<u>1,724,891</u>	<u>1,418,354</u>	<u>1,352,387</u>	<u>1,767,675</u>
Total	<u><u>13,082,106</u></u> cf	<u><u>15,618,423</u></u> cf	<u><u>12,988,939</u></u> cf	<u><u>12,754,349</u></u> cf	<u><u>13,562,565</u></u> cf

1 cubic foot (cf) = 7.481 gallons

Source: City of Stockton Department of Administrative Services

**CITY OF STOCKTON**

**TABLE 11**

**WATER AND WASTEWATER UTILITY RATES**

**LAST TEN FISCAL YEARS**

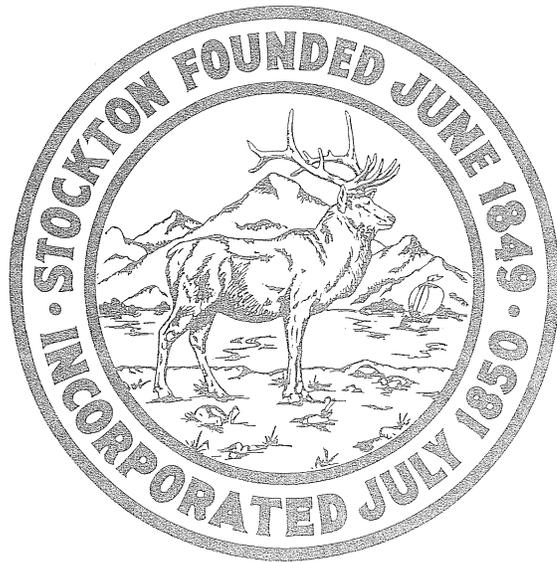
<b>Fiscal Year</b>	<b>Water</b>		<b>Wastewater</b>
	<b>Monthly Base Rate</b>	<b>Additional Per 100 cf**</b>	<b>Monthly Base Rate</b>
2014	\$ 21.51	\$ 1.61	\$ 34.03
2013	\$ 21.15	\$ 1.58	\$ 31.22
2012	\$ 20.00	\$ 1.40	\$ 28.64
2011	\$ 18.80	\$ 1.21	\$ 24.69
2010	\$ 17.65	\$ 1.02	\$ 20.75
2009	\$ 16.75	\$ 0.82	\$ 20.00
2008	\$ 15.90	\$ 0.78	\$ 21.10
2007	\$ 15.60	\$ 0.77	\$ 20.70
2006	\$ 15.10	\$ 0.74	\$ 20.00
2005	\$ 14.55	\$ 0.71	\$ 19.30

100 cf = 100 cubic feet (748 gallons)

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

\*\*The Utility charges an excess use rate above normal demand.

Source: City of Stockton Department of Administrative Services



**CITY OF STOCKTON**

**TABLE 12**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

**(Dollar amounts in thousands, except per capita)**

<b>Governmental Activities</b>							
<b>Fiscal Year</b>	<b>Revenue Bonds (1)</b>	<b>Certificates of Participation</b>	<b>Redevelopment Agency Revenue Bonds</b>	<b>Notes Payable / Equip. Leases / Settlements</b>	<b>Special Assessment/ Mello-Roos Bonds (1)</b>	<b>Pension Bonds</b>	<b>Total Governmental Activities</b>
2014	\$ 75,285	\$ 12,265	\$ 119,210	\$ 20,157	\$ -	\$ 121,770	\$ 348,687
2013	\$ 81,465	\$ 12,625	\$ 122,100	\$ 25,326	\$ -	\$ 123,350	\$ 364,866
2012	\$ 87,520	\$ 12,970	\$ 124,695	\$ 26,625	\$ -	\$ 124,280	\$ 376,090
2011	\$ 88,050	\$ 13,300	\$ 127,200	\$ 29,353	\$ -	\$ 124,660	\$ 382,563
2010	\$ 88,560	\$ 13,300	\$ 145,855	\$ 42,881	\$ -	\$ 124,910	\$ 415,506
2009	\$ 53,965	\$ 13,300	\$ 155,020	\$ 38,800	\$ -	\$ 125,040	\$ 386,125
2008	\$ 54,305	\$ 13,300	\$ 157,010	\$ 32,528	\$ -	\$ 125,060	\$ 382,203
2007	\$ 13,860	\$ 13,300	\$ 157,185	\$ 19,405	\$ -	\$ 125,310	\$ 329,060
2006	\$ 13,965	\$ 13,300	\$ 47,000	\$ 19,567	\$ -	\$ -	\$ 93,832
2005	\$ -	\$ 27,330	\$ 47,000	\$ 19,378	\$ -	\$ -	\$ 93,708

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 2014.

Sources: City of Stockton Department of Administrative Services  
 US Dept. of Commerce, Bureau of Economic Analysis  
 State of California, Department of Finance

**Business-type Activities**

Revenue Bonds	Certificates of Participation	Notes Payable	Mello- Roos Bonds(1)	Special Assessment Bonds(1)	Total Business- type Activities	Total	Percent of Personal Income (2)	Amount Per Capita (2)
\$ 284,225	\$ 81,270	\$ 11,123	\$ -	\$ -	\$ 376,618	\$ 725,305	3.36 %	\$ 2,410
\$ 289,360	\$ 84,500	\$ 11,202	\$ -	\$ -	\$ 385,062	\$ 749,928	3.47 %	\$ 2,531
\$ 293,425	\$ 87,590	\$ 11,276	\$ -	\$ -	\$ 392,291	\$ 768,381	3.56 %	\$ 2,598
\$ 294,370	\$ 90,545	\$ 11,600	\$ -	\$ -	\$ 396,515	\$ 779,078	3.69 %	\$ 2,654
\$ 240,245	\$ 90,545	\$ 545	\$ -	\$ -	\$ 331,335	\$ 746,841	3.87 %	\$ 2,557
\$ 67,920	\$ 96,105	\$ 610	\$ -	\$ -	\$ 164,635	\$ 550,760	2.86 %	\$ 1,896
\$ 68,650	\$ 98,710	\$ 672	\$ -	\$ -	\$ 168,032	\$ 550,235	2.85 %	\$ 1,898
\$ 69,315	\$ 101,220	\$ 731	\$ -	\$ -	\$ 171,266	\$ 500,326	2.59 %	\$ 1,727
\$ 69,910	\$ 103,635	\$ 787	\$ -	\$ -	\$ 174,332	\$ 268,164	1.47 %	\$ 938
\$ 46,166	\$ 105,965	\$ 1,007	\$ -	\$ -	\$ 153,138	\$ 246,846	1.42 %	\$ 883

**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
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
2005	\$ -	\$ 27,330	\$ -	\$ 47,000	\$ 74,330	0.005 %	\$ 0.266

General bonded debt is payable with governmental fund resources. General obligation bonds (of which the City has none) are backed by the taxing authority of the City (taxes may be raised to provide resources for debt service payments.)

Source: City of Stockton Department of Administrative Services  
 San Joaquin County Auditor-Controller's Office  
 State of California, Department of Finance

CITY OF STOCKTON

TABLE 14

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

	Total Debt 6/30/2014	Percentage Applicable (1)	City's share of Debt 6/30/2014
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
San Joaquin Delta Community College District	\$ 118,117,891	28.419 %	\$ 33,567,923
Stockton Unified School District	369,023,497	85.389	315,104,345
Lodi Unified School District	92,000,000	31.239	28,739,880
Lodi Unified School District School Facilities Improvement District No. 1	42,220,000	82.661	34,899,474
Lincoln Unified School District	70,916,484	87.485	62,041,286
Lincoln Unified School District Community Facilities District No. 1	27,721,567	82.047	22,744,714
Manteca Unified School District	57,226,094	15.073	8,625,689
Manteca Unified School District Community Facilities District No. 1989-1	28,296,013	100.000	28,296,013
Tracy Joint Unified School District and School Facilities Improvement Dist. No.3	77,097,637	0.006 & 0.010	5,926
City of Stockton Community Facilities District No. 1	9,545,000	100.000	9,545,000
City of Stockton Community Facilities District No. 90-1	1,275,000	100.000	1,275,000
City of Stockton Community Facilities District No. 90-2	6,450,000	100.000	6,450,000
City of Stockton Community Facilities District No. 90-4	3,564,000	100.000	3,564,000
City of Stockton Community Facilities District No. 99-02	18,790,000	100.000	18,790,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)	17,255,000	100.000	17,255,000
City of Stockton Community Facilities District No. 2003-1	2,675,000	100.000	2,675,000
City of Stockton Community Facilities District No. 2006-1	3,565,000	100.000	3,565,000
City of Stockton Community Facilities District No. 2006-3	6,015,000	100.000	6,015,000
City of Stockton 1915 Act Bonds	42,811,000	100.000	42,811,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	6,743,943	18.211	1,228,139
San Joaquin County Reclamation District No. 17 Assessment District	15,598,025	32.912	5,133,622
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>652,332,012</b>
<b>OVERLAPPING GENERAL FUND DEBT:</b>			
San Joaquin County Certificates of Participation	160,065,000	31.340 %	50,164,371
Lincoln Unified School District Certificates of Participation	4,068,075	87.485	3,558,955
Lodi Unified School District Certificates of Participation	38,965,000	31.239	12,172,276
Manteca Unified School District General Fund Obligations	29,975,000	15.073	4,518,132
Stockton Unified School District Certificates of Participation	41,260,000	85.388	35,231,089
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b>105,644,823</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>757,976,836</b>
<b>DIRECT GENERAL FUND DEBT:</b>			
City of Stockton General Fund Obligations	118,420,000	100.000	118,420,000
City of Stockton Bond Insurer Obligations for payments made during bankruptcy	20,432,832	100.000	20,432,832
City of Stockton Pension Obligations	121,770,000	100.000	121,770,000
City of Stockton Bond Insurer Obligations for pension bond payments made during bankruptcy	17,150,520	100.000	17,150,520
			<b>277,773,352</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>383,418,175</b>
<b>GROSS COMBINED TOTAL DEBT (2)</b>			<b>1,035,750,188</b>
<b>2013-14 Assessed Valuation (3):</b>	\$ 17,079,491,438		
(after deducting \$1,464,976,489 Other Exemptions Valuation)			
<b>2013-14 Population</b>	300,899		
<b>Debt Ratios</b>		<b>Per Capita</b>	<b>Assessed Value</b>
Total Gross Debt (2)	\$ 1,035,750,188	\$ 3,442	6.06 %
Ratios to 2013-14 Assessed Valuation: Total Overlapping Tax and Assessment Debt	\$ 652,332,012	(4)	3.82 %
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	\$ 277,773,352	(4)	1.63 %

(1) Percent of overlapping agency's assessed valuation located within boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(3) Represents Gross Assessed Valuation after deducting \$1,464,976,489

(4) Includes debt outside Stockton limits. Therefore, no per capita calculated.

Sources: California Municipal Statistics, Inc., San Francisco, CA

San Joaquin County Auditor-Controller's Office

State of California, Department of Finance, Demographic Research Unit

**CITY OF STOCKTON**

**TABLE 15**

**LEGAL DEBT MARGIN INFORMATION**

**LAST TEN FISCAL YEARS**

**(Dollar amounts in thousands)**

	Fiscal Year				
	2014	2013	2012	2011	2010
Assessed valuation (1)	\$17,079,491	\$16,479,102	\$15,572,567	\$16,340,562	\$16,957,547
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 4,269,873	\$ 4,119,776	\$ 3,893,142	\$ 4,085,141	\$ 4,239,387
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 640,481	\$ 617,966	\$ 583,971	\$ 612,771	\$ 635,908
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 640,481</u>	<u>\$ 617,966</u>	<u>\$ 583,971</u>	<u>\$ 612,771</u>	<u>\$ 635,908</u>
Legal debt margin/debt limit	100%	100%	100%	100%	100%

(1) Reflects City assessed valuation excluding other exemptions of \$1,464,976,489. Redevelopment Agency was dissolved in 2013.

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries, adjusted for subsequent legislative actions. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal limit. The City of Stockton does carry bonded debt secured by special assessments and other revenue sources, but at this time, doesn't have any outstanding general obligation bonds. The City is not at risk of exceeding its legal debt limit of \$640,481.

Sources: City of Stockton Department of Administrative Services  
 California Municipal Statistics, Inc., San Francisco, CA  
 San Joaquin County Auditor-Controller's Office

Fiscal Year				
2009	2008	2007	2006	2005
\$18,903,286	\$19,281,142	\$ 18,043,181	\$ 15,761,940	\$ 14,037,055
25%	25%	25%	25%	25%
\$ 4,725,822	\$ 4,820,286	\$ 4,510,795	\$ 3,940,485	\$ 3,509,264
15%	15%	15%	15%	15%
\$ 708,873	\$ 723,043	\$ 676,619	\$ 591,073	\$ 526,390
-	-	-	-	-
\$ 708,873	\$ 723,043	\$ 676,619	\$ 591,073	\$ 526,390
100%	100%	100%	100%	100%

**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	
<b>Water Revenue Bonds</b>							
2014	\$ 38,991	\$ 19,762	\$ 19,229	\$ 3,939	\$ 12,116	\$ 16,055	1.20
2013	\$ 40,601	\$ 21,652	\$ 18,949	\$ 3,780	\$ 10,139	\$ 13,919	1.36
2012	\$ 35,914	\$ 20,055	\$ 15,859	\$ 711	\$ 2,146	\$ 2,857	5.55
2011	\$ 34,245	\$ 19,987	\$ 14,258	\$ 688	\$ 8,839	\$ 9,527	1.50
2010	\$ 29,131	\$ 17,546	\$ 11,585	\$ 655	\$ 3,199	\$ 3,854	3.01
2009	\$ 26,080	\$ 20,123	\$ 5,957	\$ 627	\$ 1,728	\$ 2,355	2.53
2008	\$ 26,352	\$ 18,010	\$ 8,342	\$ 599	\$ 1,758	\$ 2,357	3.54
2007	\$ 26,787	\$ 17,687	\$ 9,100	\$ 566	\$ 1,788	\$ 2,354	3.87
2006	\$ 22,986	\$ 15,631	\$ 7,355	\$ 538	\$ 1,092	\$ 1,630	4.51
2005	\$ 21,942	\$ 12,158	\$ 9,784	\$ 511	\$ 691	\$ 1,202	8.14
<b>Wastewater Certificates of Participation (3)</b>							
2014	\$ 61,230	\$ 40,173	\$ 21,057	\$ 3,230	\$ 4,143	\$ 7,373	2.86
2013	\$ 56,316	\$ 35,423	\$ 20,893	\$ 3,090	\$ 4,287	\$ 7,377	2.83
2012	\$ 51,708	\$ 35,206	\$ 16,502	\$ 2,955	\$ 4,417	\$ 7,372	2.24
2011	\$ 45,152	\$ 33,325	\$ 11,827	\$ -	\$ 4,480	\$ 4,480	2.64
2010	\$ 39,716	\$ 30,094	\$ 9,622	\$ 2,720	\$ 4,659	\$ 7,379	1.30
2009	\$ 38,298	\$ 35,002	\$ 3,296	\$ 2,605	\$ 4,770	\$ 7,375	0.45
2008	\$ 39,602	\$ 25,633	\$ 13,969	\$ 2,510	\$ 4,867	\$ 7,377	1.89
2007	\$ 41,068	\$ 27,791	\$ 13,277	\$ 2,415	\$ 4,959	\$ 7,374	1.80
2006	\$ 44,609	\$ 22,357	\$ 22,252	\$ 2,330	\$ 5,044	\$ 7,374	3.02
2005	\$ 49,519	\$ 17,526	\$ 31,993	\$ 2,250	\$ 5,126	\$ 7,376	4.34

(Continued)

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

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Debt Coverage Ratio
				Principal	Interest	Total	
<b>Central Parking District Lease Revenue Bonds</b>							
2014	\$ 4,069	\$ 2,758	\$ 1,311	\$ 410	\$ 1,585	\$ 1,995	0.66
2013	\$ 3,866	\$ 2,571	\$ 1,295	\$ 360	\$ 1,600	\$ 1,960	0.66
2012	\$ 4,718	\$ 2,492	\$ 2,226	\$ 305	\$ 1,613	\$ 1,918	1.16
2011	\$ 4,890	\$ 1,797	\$ 3,093	\$ 255	\$ 1,625	\$ 1,880	1.65
2010	\$ 4,907	\$ 2,193	\$ 2,714	\$ 210	\$ 1,634	\$ 1,844	1.47
2009	\$ 5,056	\$ 2,320	\$ 2,736	\$ 165	\$ 1,641	\$ 1,806	1.51
2008	\$ 5,033	\$ 2,562	\$ 2,471	\$ 125	\$ 1,647	\$ 1,772	1.39
2007	\$ 4,667	\$ 2,205	\$ 2,462	\$ 85	\$ 1,652	\$ 1,737	1.42
2006	\$ 4,632	\$ 2,021	\$ 2,611	\$ -	\$ 1,653	\$ 1,653	1.58
2005	\$ 3,864	\$ 1,957	\$ 1,907	\$ -	\$ 1,130	\$ 1,130	1.69

\*\*\*\* Central Parking District revenues are not explicitly pledged in official statements for repayment of these bonds.

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

Details regarding the City's outstanding debt can be found in the Note 8 - Long-Term Debt of these financial statements.

(1) Total revenues including investment earnings. Also includes connection fees in Water & Wastewater funds. In 2008 CAFR, statistical section did not include connection fees in Water & Wastewater funds - included in 2009. Also, net increase/decrease in fair value of investments and other non - operating revenues were reported in gross revenues - removed in 2009.

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

(3) The FY 2008-09 Wastewater Certificates of Participation debt coverage ratio fell below the 1.25 times net revenues required by the bond covenants.

Source: City of Stockton Department of Administrative Services

**CITY OF STOCKTON**

**TABLE 17**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate	Labor Force	Total Housing Units	Household Average Size	Median Family Income	School Enrollment
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	88,185
2009	290,409	N/A	N/A	18.1 %	130,800	96,854	3.08	\$ 63,600	87,446
2008	289,927	\$ 8,459	\$ 29,178	10.0 %	127,200	96,553	3.09	\$ 61,300	91,744
2007	289,789	\$ 8,329	\$ 28,743	9.3 %	120,800	95,864	3.11	\$ 60,300	83,440
2006	286,041	\$ 7,801	\$ 27,272	7.2 %	120,000	94,409	3.05	\$ 57,100	77,982
2005	279,513	\$ 7,334	\$ 26,239	9.4 %	119,214	91,725	3.13	\$ 55,300	72,097

College and Graduate School Enrollment numbers for 2014 were unavailable.

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic Analysis uses the Census Bureau's annual midyear population estimates.

Sources: City of Stockton Department of Administrative Services & Community Development Department  
 CA Dept. of Finance and Employment Development Department  
 US Dept. of Commerce, Bureau of Economic Analysis  
 US Census Bureau  
 CA Dept. of Education

**CITY OF STOCKTON**

**TABLE 18**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	Fiscal Year					
	2014			2006 (1)		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
San Joaquin County	4,720	1	3.77 %	-	-	- %
St. Joseph's Medical Center	4,600	2	3.67 %	2,800	1	2.57 %
Stockton Unified School District	3,366	3	2.69 %	-	-	- %
City of Stockton	1,862	4	1.49 %	-	-	- %
Dameron Hospital	1,200	5	0.96 %	1,200	2	1.10 %
Pacific Gas and Electric	1,100	6	0.88 %	879	5	0.81 %
Kaiser Permanente	1,065	7	0.85 %	760	6	0.70 %
San Joaquin Delta College	1,000	8	0.80 %	650	8	0.60 %
University of the Pacific	900	9	0.72 %	974	4	0.90 %
Lincoln Unified School District	631	10	0.50 %	-	-	- %
Washington Mutual	-	-	- %	1,000	3	0.92 %
Diamond Walnut	-	-	- %	715	7	0.66 %
The Grupe Company	-	-	- %	500	9	0.46 %
AT&T	-	-	- %	500	10	0.46 %
<b>Total</b>	<b>20,444</b>		<b>16.33 %</b>	<b>9,978</b>		<b>9.17 %</b>

(1) Principle employer numbers from 2006 CAFR were used for comparison as 2005 numbers were not available.  
 Note: Principal employers are based on best available information.

Sources: San Joaquin Partnership Survey, September 2010  
 SJP Membership Directory 2010  
 ogpacking.com  
 dameronhospital.org  
 investor.diamondfoods.com

**CITY OF STOCKTON**

**TABLE 19**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES  
BY FUNCTION/PROGRAM/DEPARTMENT  
LAST FIVE FISCAL YEARS**

Function/Program/Department:	Fiscal Year				
	2014	2013	2012	2011	2010
Admin Svcs	88	89	90	94	87
City Attorney	8	8	9	8	11
City Auditor	-	-	4	4	3
City Clerk	5	5	6	6	5
City Council/Mayor	1	1	2	2	2
City Manager	19	19	19	19	22
Community Development	27	26	26	41	42
Community Services	78	77	80	84	89
Human Resources	25	25	22	27	23
Police:					
Sworn	348	324	316	337	342
Non-sworn	165	167	162	161	173
Animal control	13	11	11	12	13
Total Police	<u>526</u>	<u>502</u>	<u>489</u>	<u>510</u>	<u>528</u>
Fire:					
Firefighters-sworn	168	168	176	220	229
Firefighters-auxiliary	18	26	24	17	24
Non-sworn personnel	23	23	24	24	25
Paramedic teams (2 per team)	-	-	-	-	-
Total Fire	<u>209</u>	<u>217</u>	<u>224</u>	<u>261</u>	<u>278</u>
Public Works	138	132	125	136	139
Economic Development	17	16	17	20	23
Water Utility	41	41	42	37	37
Wastewater Utility	136	144	144	132	133
Stormwater Utility	6	3	4	4	3
Central Parking District	-	-	-	-	-
Total	<u><u>1,324</u></u>	<u><u>1,305</u></u>	<u><u>1,303</u></u>	<u><u>1,385</u></u>	<u><u>1,425</u></u>

Source: City of Stockton Human Resources Department

CITY OF STOCKTON

TABLE 20

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT  
LAST FIVE FISCAL YEARS

	Fiscal Year				
	2014	2013	2012	2011	2010
General government:					
Building permits issued	4,595	3,956	4,007	4,020	4,463
Business tax certificates:					
Retail sales and service	5,821	5,886	5,833	5,797	5,924
Rental Properties - Commercial and Residential	4,466	4,624	4,589	4,469	4,255
Wholesale	374	330	330	327	349
Manufacturers and processors	163	177	175	178	182
Professions	1,878	1,947	2,019	2,018	2,057
Miscellaneous contractors, peddlers, delivery vehicles, etc.	4,054	4,104	4,187	4,259	4,170
Improvement district and hotel/motel room tax	90	90	90	90	90
Utility billing/customer service:					
Utility bills issued	640,836	626,335	632,540	630,879	623,513
Utility accounts opened and closed	19,138	21,405	22,198	23,318	26,878
New service locations (water) added	120	113	1	142	208
Delinquency Notices Sent - Active Accounts	82,050	81,358	53,216	74,742	67,073
Water Service Terminated for Non-Payment	4,972	5,909	4,732	4,729	4,533
Utility customer service calls received	46,179	57,126	65,708	102,700	107,091
Utility customers using automated voice response (1)	195,917	195,478	124,804	130,719	125,295
Utility Customers Using Online Pmt/ Account Access	29,209	26,430	23,365	22,397	13,032
Miscellaneous accounts receivable bills issued	31,355	44,243	24,665	26,071	29,592
Public safety:					
Police:					
Major reported crimes	17,821	19,859	20,110	19,752	19,712
Total arrests	11,541	10,585	9,206	11,322	15,892
Dispatched calls for service	119,187	119,276	125,939	134,368	150,705
Fire:					
Interior structure fire calls	403	364	347	422	412
Non-structural fire calls	1,430	1,117	1,152	1,145	1,193
Hazardous materials calls	234	226	194	249	253
Emergency medical calls	18,422	21,729	21,374	22,704	22,249
Total emergency calls	37,387	39,518	40,050	38,234	36,785
Total number of units dispatched	45,709	47,939	46,865	42,136	43,460
Public works:					
Miles of streets resurfaced	4	19	15	42	22
Fleet job orders completed	10,065	9,625	9,435	9,622	11,548

**CITY OF STOCKTON**

**TABLE 20 (Continued)**

**OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT  
LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Library:</b>					
Registered borrowers	221,844	209,823	222,151	286,600	268,128
Circulation of library materials	1,640,185	1,673,049	1,707,788	1,686,245	1,644,752
Reference, research and informational questions answered	167,857	228,240	220,343	228,119	248,692
Annual attendance at libraries	952,894	981,213	1,078,785	1,091,999	1,140,832
Number of programs offered	2,898	2,567	2,325	2,200	1,889
Annual attendance at programs	81,356	77,448	78,430	59,513	55,883
<b>Parks and Recreation:</b>					
Golf rounds:					
Swenson Park golf course	57,757	54,492	59,699	53,450	57,637
Van Buskirk golf course	21,919	24,316	27,047	23,400	29,830
Trees planted	-	5	14	420	1
Heritage tree removal-permits issued	10	16	14	24	3
After school program registration (number of participants)	20,620	23,365	16,996	44,379	44,856
Day camps in winter (number of participants)	101	39	19	17	N/A
Day camps in summer (number of participants)	3,820	1,418	499	789	1,090
Day camps at Children's Museum (number of participants)	N/A	N/A	N/A	N/A	842
Day camps in spring (number of participants)	177	924	34	32	103
Day camps in fall (number of participants)	265	202	52	64	114
Instructional classes	2,327	1,426	1,855	1,259	1,525
Softball/baseball diamonds bookings	273	73	2,839	2,780	2,959
Showmobile (Mobile Stage) bookings	30	34	24	26	11
Community center bookings	1,444	1,441	1,346	552	405
Picnic facility bookings	328	475	393	504	265
Adult sports (number of teams):					
Softball	347	348	324	324	358
Basketball	-	26	69	46	74
Volleyball	-	15	10	4	-
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants)	3,715	2,688	2,500	5,340	7,146

**CITY OF STOCKTON**  
**TABLE 20 (Continued)**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT**  
**LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Parks and Recreation (cont.):</b>					
Admissions to:					
Pixie Woods	12,500	12,161	13,357	20,020	20,632
Swimming pools	N/A	N/A	N/A	N/A	5,143
Teen Center	N/A	N/A	N/A	N/A	18,119
Children's Museum	N/A	N/A	N/A	N/A	40,636
Senior Center memberships	911	943	678	813	1,410
Civic Auditorium bookings	139	157	60	41	46
Parks and Recreation sponsored events	14	-	-	-	2
Weber Point Events Center bookings	35	43	18	15	12
<b>Economic Development: (1)</b>					
Rental Housing Units	71	91	110	-	65
Owner Housing (Emergency Repair or Rehabilitation)	17	6	7	7	12
Down Payment Assistance	18	2	1	17	13
Special Needs (Homes Repaired or Rehabilitated)	2	7	12	5	3
Public Facilities (Rehabilitated or Constructed)	1	1	2	5	2
Façade Program (Commercial Façade Repair/Rehabilitated)	6	2	-	1	-
Public Services Provided	205,884	189,606	85,296	75,572	5,661
Homeless Services Provided	3,555	4,420	4,465	5,078	4,177
Meals Provided to Homeless	539,626	519,740	573,591	537,361	567,767
Jobs Created and/or Retained	14	14	7	18	-
<b>Water utility:</b>					
New connections (DUE's) (2)	92	219	236	654	232
Water main breaks	16	16	19	16	14
<b>Wastewater utility:</b>					
Average daily influent (million gallons per day)	32 mgd	33 mgd	24 mgd	29 mgd	31 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				
	2014	2013	2012	2011	2010
General government:					
Land use-square miles:					
Residential	24.88	24.83	33.55	33.53	33.69
Mixed use	4.31	4.31	4.68	4.68	4.68
Commercial	4.49	4.48	5.49	5.51	5.50
Industrial	12.87	12.87	11.42	11.42	11.28
Institutional	4.05	4.05	5.54	5.54	5.32
All other uses	3.29	3.29	3.79	3.60	3.41
Total square miles	53.89	53.83	64.47	64.28	63.88
Public safety:					
Police:					
Facilities:					
Stations and substations	1	1	1	2	3
Animal control facility	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1
Vehicles:					
Marked patrol cars	164	145	157	138	162
Motorcycles and scooters	32	34	34	33	39
Animal control vehicles	9	9	9	9	9
VIPS vehicles	7	7	7	7	6
Other automobiles	154	154	165	158	221
Other mobile units (all others)	15	15	15	15	13
Public area security cameras	76	76	76	76	76
Fire:					
Fire stations	12	12	12	13	13
Training facilities	1	1	1	1	1
Fire hydrants	8,981	8,959	8,608	8,558	8,505
Public works:					
Miles of streets	760	760	760	760	776
Traffic signals	312	307	303	303	303
Street light fixtures	19,196	19,195	19,188	19,188	20,186

**CITY OF STOCKTON**

**TABLE 21 (Continued)**

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

	Fiscal Year				
	2014	2013	2012	2011	2010
Parks and recreation:					
Arena	1	1	1	1	1
Ballpark	1	1	1	1	1
Baseball/softball diamonds	54	54	54	54	54
Bike/jogging paths (miles)	20	20	20	20	20
Boating facilities - launch lanes	10	10	10	10	10
Children's Museum	1	1	1	1	1
Civic Auditorium (2,800 capacity)	1	1	1	1	1
Community centers	5	5	5	5	5
Dog Areas	3	3	1	1	1
Family camps	1	1	1	1	1
Golf course acreage	371	371	371	371	371
Group picnic areas	31	31	31	31	31
Gymnasium	5	5	5	5	5
Ice rink	1	1	1	1	1
Municipal golf courses	3	3	3	3	3
Park acreage	625	625	625	625	625
Parks and squares	67	67	67	67	67
Philomathean Club	1	1	1	1	1
Playgrounds	71	71	71	71	71
Senior center	1	1	1	1	1
Showmobile (Mobile Stage)	1	1	1	1	1
Skateboard park	1	1	1	1	1
Swimming pools	7	7	4	4	4
Teen Center	1	1	1	1	1
Tennis courts	67	67	67	67	67
Theater (Bob Hope)	1	1	1	1	1
Weber Point Events Center	1	1	1	1	1
Consolidated landscape maintenance districts:					
Streetscaping (square feet)	3.6 million	3.6 million	2.2 million	2.2 million	2.2 million
Public open spaces (acreage)	70	70	68	68	68

**CITY OF STOCKTON**

**TABLE 21 (Continued)**

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

	Fiscal Year				
	2014	2013	2012	2011	2010
Library:					
Central library (2)	-	-	-	1	1
City branches	4	4	4	3	4
Library mobile units	2	2	2	2	2
San Joaquin County branches	8	8	8	8	8
Total items in collection	893,419	886,370	893,661	954,044	1,030,157
Cargo delivery van	2	2	2	2	2
Cargo van	1	1	1	1	1
Undeveloped land for branch library	2	2	2	2	2
Integrated library system	1	1	1	1	1
Microform readers	7	7	5	5	2
Microform readers/printers	7	7	7	7	5
Self check out machines	28	28	15	15	14
Water utility:					
Water main lines (miles)	668	665	629	612	612
Storage capacity (thousand gallons)	26,200	26,200	22,200	22,200	19,200
Water wells (active)	21	21	22	22	32
Water reservoirs	8	8	7	7	6
Wastewater utility:					
Wastewater main lines (miles)	861	928	923	923	922
Treatment capacity (million gals/day)	55	55	55	55	55
Wastewater pump stations	27	27	27	24	25
Stormwater utility:					
Stormwater main drain lines (miles) (1)	488	488	488	488	863
Stormwater pump stations	72	72	72	72	75
Central parking district:					
Parking spaces	3,656	3,656	3,461	5,568	5,535
Parking lots & garages	21	21	19	22	22

(1) Years prior to 2011 reflected "all" stormwater drain lines instead of just the "main" stormwater drain lines.

(2) Prior to fiscal year ended June 30, 2012, the Central Library total was reported separate from the City Branches total.

Source: City of Stockton Departments

