MAY 19, 2014

NOTICE REGARDING: LONG RANGE FINANCIAL PLAN
FISCAL YEAR 2014-15 PROPOSED BUDGET
FISCAL YEAR 2012-13 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City is releasing its draft Comprehensive Annual Financial Report for Fiscal Year 2012-13 and the Proposed Budget for 2014-15. Each of these documents should be read in conjunction with the attached reconciling schedule. The attached schedule provides important information about each of these documents and how they relate to the City's Long Range Financial Plan.

COMPARISON OF GENERAL FUND BALANCE IN STOCKTON'S LONG-RANGE FINANCIAL PLAN TO NEWLY-RELEASED CAFR FOR 6/30/13 AND ANNUAL BUDGET FOR FY 2014-15

A. Reconciliation of Long-Range Financial Plan (LRFP) to Comprehensive Annual Financial Report (CAFR)

There is virtually no difference between the amounts reported in the LRFP and in the CAFR for available fund balance (Fund 010-General Fund):

Table 1. Unassigned/Available Balance:	6/30/2012	6/30/2013	
6/30/13 CAFR Unassigned Balance	$0	$3,093,428	released 5/19/2014
LRFP Ending Available Balance	$0	$3,074,000	updated 3/2/2014
LRFP Over (Under) CAFR	$0	($19,428)	-0.6%

For CAFR reporting purposes, other funds are classified under the heading of "General Fund" that do not meet criteria to be classified as another fund type under generally-accepted accounting principles (GAAP). These other funds have their own assets, liabilities and fund balances and are combined with the General Fund under the "General Fund" column in the CAFR. The LRFP is a forecast for the General Fund only, which is Fund 10. The LRFP reflects the actual/forecasted General Fund payments to these other funds under "Program Support for Other Funds." The following is the reported amount of the combined "General Fund" fund balance in the CAFR by component (see definitions below):

Table 2. Balance by Component: (1)	Net Change	6/30/2012	6/30/2013
Nonspendable	$53,956	$355,243	$409,199
Restricted	$234,046	$2,100,000	$2,334,046
Committed	$15,704,451	$8,070,458	$23,774,909
Assigned	($2,401,053)	$4,111,046	$1,709,993
Unassigned	$3,093,428	$0	$3,093,428
Total Fund Balances	$16,684,828	$14,636,747	$31,321,575

The following schedule reconciles the total combined "General Fund" fund balance as reported in the CAFR for each fund by component:

Table 3. Balance by Subfund:	Net Change	6/30/2012 Totals	6/30/2013 Totals	6/30/2013 Unassigned	6/30/2013 Assigned	6/30/2013 Committed	6/30/2013 Restricted	6/30/2013 Nonspendable
10 - General Fund	$2,125,169	$5,332,530	$7,457,700	$3,093,428	$1,024,366	$689,077	$2,334,046	$316,782
11 - Payroll Trust Fund	$8,089	$56,959	$65,047	-	$65,047	-	-	-
12 - Bankruptcy Fund (2)	$13,667,619	$5,600,000	$19,267,619	-	-	$19,267,619	-	-
41 - Library Fund	$357,699	$3,520,514	$3,878,213	-	-	$3,818,213	-	$60,000
44 - Recreation Services Fund	$364,251	$471,030	$835,281	-	$835,281	-	-	-
45 - Boat Launching Facility Fund	$46,993	$307,880	$354,873	-	$354,873	-	-	-
86 - Entertainment Venues Fund	$115,008	($652,166)	($537,157)	-	($569,574)	-	-	$32,417
Total Fund Balances	$16,684,828	$14,636,747	$31,321,575	$3,093,428	$1,709,993	$23,774,909	$2,334,046	$409,199

The net change from the prior year of the combined General and Bankruptcy funds (10 & 12) was estimated in the LRFP at $16,086,000, based on the City's 4Q13 report (Exhibit 2016 to Leland Deposition). The actual change was $15,792,780, for a variance of $293,212 to actual audited results, primarily due to adjustments for grant reimbursements.

Table 4. Net Improvement in Balance Over Prior Year (Funds 10 & 12):		
Net Improvement in General Fund Balance Over Prior Year (CAFR)	$15,792,788	released 5/19/2014
Net Improvement in General Fund Balance Over Prior Year (LRFP)	$16,086,000	as of 2/25/2014
LRFP Over (Under) CAFR	$293,212	1.8%

B. Reconciliation of LRFP to Annual Budget for FY 2014-15.

The following is a comparison of ending available General Fund balance (Fund 10) from the proposed Annual Budget to the LRFP:

Table 5. Budgeted General Fund Available Balance:	2011-12	2012-13	2013-14	2014-15	
Proposed 2014-15 Annual Budget	$0	$3,093,428	$9,781,222	$20,673,445	released 5/20/2014
LRFP Ending Available Balance	$0	$3,074,000	$9,751,000	$20,674,000	as of 2/25/2014
LRFP Over (Under) 2014-15 Annual Budget	$0	($19,428)	($30,222)	$555	

(1) GASB Statement No. 54 creates the following five components of fund balance, as described in Restricted Funds Analysis prepared by the City (4/30/12):

· *Non-spendable fund balance*— amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)

· *Restricted fund balance* —amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation

· *Committed fund balance*— amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint

· *Assigned fund balance*— amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority

· *Unassigned fund balance*— amounts that are available for any purpose; these amounts are reported only in the general fund.

(2) Until 7/1/13, appropriations for bankruptcy costs were reported in the General Fund with any unspent appropriations reported in the 2011 and 2012 CAFRs as a reservation/committment of General Fund balance under Generally Accepted Accounting Principles. On 6/25/13, the City Council adopted the FY 2013-14 pendancy plan budget which establishes a separate fund for bankruptcy (012). However, for purposes of the audited CAFR under GAAP, this is a subfund of the General Fund. The LRFP reports transfers to the Bankruptcy Fund starting in FY 2011-12 based on the amount of unspent appropriations and ending available General Fund balance consistent with City Council authorization.

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CITY OF STOCKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2012 / 2013

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CITY OF STOCKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013
CITY OF STOCKTON, CALIFORNIA

Prepared and Issued by
Administrative Services Department

VANESSA BURKE
Chief Financial Officer

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CITY OF STOCKTON

INTRODUCTORY SECTION

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City of Stockton
Comprehensive Annual Financial Report
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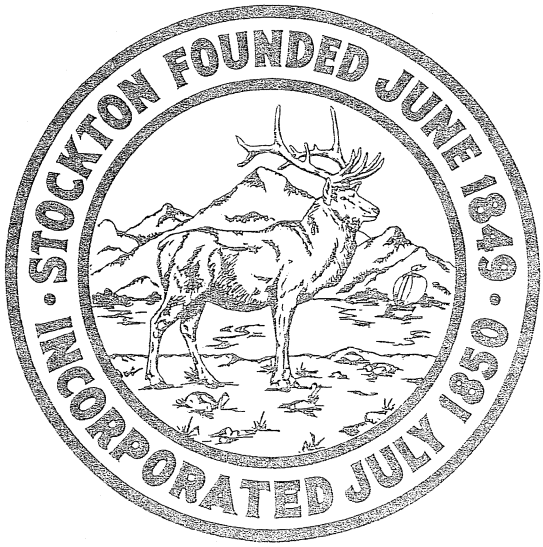

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CITY OF STOCKTON

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May 19, 2014

To the Audit Committee 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 this draft Comprehensive Annual Financial Report ("CAFR") of the City of Stockton for the fiscal year ended June 30, 2013. The significance and demands of the trial this week has created a delay with our ability to complete our final review and issue a final published CAFR. We will finalize the draft shortly after the audit committee meeting and look forward to presenting the details to you at the next scheduled audit committee meeting in June 2014. The draft should not be relied upon for purposes of making investment or other decisions affecting the City and is subject to change upon final review. We do not anticipate issuing draft reports in future years as we emerge from bankruptcy and resume our normal audit schedule.

Though also delayed beyond originally anticipated, this report is the last in the series of three annual CAFRs that have undergone a major review effort to correct the City's accounting records and bring its financial reporting to current accounting and reporting standards. We are pleased to report that it is the first report in which no prior financial statements have been corrected due to past errors. It also has been performed in approximately four months. A normal audit of a City of our size, lacking the complexity that a bankruptcy brings with it, takes at least six months to perform. This is a direct result of the dedication of numerous hours by the City Manager, the Finance Team, City Departments, and our auditor Pun & McGeady, LLP.

We have now received a "clean" or unqualified audit opinion on both the fiscal year 2013 and 2012 CAFR's and no audit adjustments were made. Under City Council's fiscal sustainability goal to "Get Our Fiscal House in Order," we feel confident our efforts over the past three years have significantly improved the accuracy, usefulness and reliability of our financial reports. Some City critics have touted that the CAFR's in prior years were timely but these statements fail to take into account they contained errors that could have impacted their usefulness in critical decision making. The City's goal is first and foremost to ensure its financial statements are accurate. Going forward efforts will be to provide transparent and accurate financial reporting on a timely basis.

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 Generally Accepted Accounting Principles, referred to as GAAP, in order to receive an unqualified 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 ("MD&A") and 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 the City's Charter, GFOA and agreements with investors. It 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.

City management acknowledges that it is responsible for this CAFR and has completed the analysis required to assure that the financial statements are materially accurate and in conformance with GAAP.

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's auditor, Pun and McGeady LLP, an independent firm of licensed certified public accountants completed the audits for fiscal years 2013 and 2012.

The purpose of the independent audit is to provide reasonable assurance that the financial statements of the City of Stockton as of, and for, the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditors concluded that there was reasonable basis for rendering an unqualified opinion that states the City's financial statements as of, and for, the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. Important information was also included in the opinion commenting on the City's

ability to continue as a going concern due to the chapter 9 bankruptcy filing on June 28, 2012, just two days prior to the start of this financial statement. The independent auditor's report begins on page 1 of the financial section of this report.

SINGLE AUDIT REPORT TO FEDERAL GRANTOR 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"). Information relating to the Single Audit is available in the City's separately issued Single Audit Report.

There have been delays in the timely completion of the fiscal year 2013 and 2012 Single Audits, which have resulted in threats of sanctions against the City. To date, no funding has been lost as a result of the sanctions. Authorizations to proceed for federally funded projects were frozen, then lifted, then frozen again in October 2013 as a result of the 2012 report being filed late. The City expects to submit the 2013 Single Audit report in time that impacts to its federally funded projects are not anticipated. There is no effect from these sanctions on the financial statements at June 30, 2013.

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 and has an estimated population in January 2013 of approximately 296,344, making it the 13th largest city in California. Stockton is surrounded by the rich and fertile lands of the California Central Valley and is home to the 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. In June 2013, a Charter Review Advisory Committee (CRAC) and an Ad-Hoc Committee of 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, wastewater, and stormwater. The City serves approximately 55% of water and 100% of wastewater accounts in the City. California Water Service Company ("Cal Water"), an investor-owned company, provides water service to 42% of the accounts, and San Joaquin County provides water service to the remaining 3% of accounts within the City.

Certain community development, revitalization activities and infrastructure construction were previously provided through the Stockton Redevelopment Agency ("Agency"), a legally separate entity. Effective February 1, 2012, all city and county redevelopment agencies in California were dissolved as a result of State legislation that was upheld by the State Supreme Court. Actions required to wrap-up the affairs of the Agency were transferred to the Successor Agency of the City of Stockton ("Successor Agency") as of February 1, 2012. The City Council also sits as the Successor 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 City receives revenues from the Successor Agency for administrative support provided to the Agency by the City's Economic Development Department.

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.

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 on June 28, 2012, only two days prior to this audit period, 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. Below is a discussion of significant factors affecting the City's financial condition:

Voter Approved ¾ Cent Sales Tax

To maintain fiscal sustainability and aid the City in its exit plan from bankruptcy, voters on November 5, 2013 narrowly approved Measures A and B, which will generate an estimated $6.7 million in sales tax revenues in the first partial year 2013-14 and a projected $28 million in future full fiscal years. The non-binding advisory measure (Measure B) directs the City to 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% should be used only to pay for the City's efforts to end bankruptcy and for services to residents, businesses and property owners. The sales tax increase went into effect on April 1, 2014. The City's expects its first advance payment will be received in June 2014 and is the start toward rebuilding the City's long term viability and reputation as a safe place to live, work and invest. The City Council took action on February 25, 2014 to approve the appropriation of funding for the first phase of the implementation plan which approved the hiring of an additional 120 police officers plus support staff.

Plan of Adjustment and Financial Recovery

On October 10, 2013, the City filed with the U.S. Bankruptcy Court a proposed plan of adjustment (as amended November 18, 2013) and its disclosure statement to restructure its obligations. At the date of this printing, the City may have completed its confirmation hearing and trial. If confirmed by the Court, this Plan will reduce the City's long-term obligations and commitments by nearly $1 billion and allow the City to emerge from bankruptcy. The trial to consider confirmation of the City's Proposed Plan of Adjustment (also known as the "Exit Plan), began May 12, 2014. Even as the City enters trial, the Proposed Plan is subject to continuing mediation and negotiation and could change before it is officially confirmed by the court. If confirmed in mid-2014, the bankruptcy process will have consumed over two years, with the first nine months spent in litigation over eligibility. The Exit Plan, if approved, will settle nearly 95% of the City's claims in bankruptcy. One creditor, Franklin High Yield Funds, has objected to the confirmation of the Plan and the City is currently in litigation over this matter. The Adversary Proceedings will take place during the trial.

For detailed information about the City Council's actions, including a copy of the proposed plan of adjustment (as amended), taken subsequent from the end of Fiscal 2013 to the present, please refer to the City's website for:

- Chapter 9 bankruptcy - www.stocktongov.com/bankruptcy, and
- Budget – www.stocktongov.com/budget.

Marshall Plan on Crime
One of the Strategic Initiatives adopted by the Stockton City Council to reduce crime and increase public safety is the Marshall Plan on Crime. Since the initiative began, the crime in Stockton has dropped significantly. In 2013 homicides dropped to 32, an almost 55 percent decline partly as a result of the efforts of the Stockton Police Department and Operation Cease fire, a key component of the Marshall Plan on Crime. With the passage of Measure A, an Office of Violence Prevention will be created to institutionalize and expand Operation Ceasefire.

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 calendar year 2013 were at 97.

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 January 2014, the median home price in Stockton had still only recovered to $168,250. The 2013-14 tax roll for the City of Stockton shows a net taxable value increase of 3.6% which is less than the increase countywide of 5.0%. 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.

Based on forecasts, discussions with the San Joaquin County Assessor, and the City's tax consultants, we have projected a 2.3% growth in revenues in fiscal 2014. Even with the enactment of the ¾ cent sales tax, fiscal year 2014-15 total revenues are anticipated to be $189.9 million which is still below pre-recession levels.

Property Tax Administration Fee Refund
Stockton, along with a number of other cities, sued the County of Los Angeles in City of Alhambra et al. v. County of Los Angeles regarding the calculation of Property Tax Administration Fees (PTAF) from 2006-07 to 2011-12. The Cities argued that SB 1096 Triple Flip and Motor Vehicle License Fee revenues, which are now incorporated into Property Tax category, should have been excluded from the calculation of PTAF charged to cities by the counties. The California Supreme Court, on appeal, ruled unanimously that the methodology utilized by the County of Los Angeles, as well as the other involved counties, was illegal. Late in the year, the County of San Joaquin notified the City that it would be complying with the ruling and

issued a refund to the City of $3.1 million. This one time money has been reported in these financial statements.

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 to increase its organization capacity to once again be cash, service and budget solvent. The forecast is premised on the basis that tentative agreements reached with the City's capital market creditors and filed with the U.S. Bankruptcy court will be reached upon confirmation of the Plan of Adjustment and many other variables. Though these variables may change with time we have modeled likely fiscal performance in a conservative and realistic manner. The forecast is prudently conservative but still subject to risk that underlying assumptions made could change. However, we believe this model will provide the foundation for future sustainability for the City.

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*.

THE LOCAL ECONOMY
In May 2014, Stockton officially broke the 300,000 population mark according to newly-released 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 UOP forecast projects that population will continue to increase at a rate of 1.3% and 1.5% for 2015 and 2016. As the 13th largest City in California, Stockton is now as big as or bigger than cities like Pittsburgh, Orlando, Cincinnati, Buffalo, and Salt Lake City.

According to University of the Pacific'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. It is anticipated the recovery will eventually begin to spread inland and will outperform California's expected overall job growth of 1.6% in 2014[1]. The Stockton Metro Area (which includes the City of Stockton and surrounding areas) will see slower but gradual growth in its economy. Due to the deep recession the area faced it is anticipated to lead job growth in the central valley at 3.7% in 2014 followed by 2.2% 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.

[1]California & Metro Forecast, January 2014

RESERVE POLICIES
The City Council has adopted policies establishing minimum target levels of unassigned fund balance to be maintained in the various funds. The current financial crisis and bankruptcy filing has prevented the City from achieving the established policy reserves for the General Fund at June 30, 2013. Unassigned and

available General Fund balance was $3.1 million at the end of the fiscal year consistent with the Plan of Adjustment and will assist in beginning to build 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 plans to rehabilitate City Hall. The $3.1 million was only achieved after using a one-time refund of Property Tax Administration Fee settlement dollars, after protections afforded by the bankruptcy filing, by significant and sweeping cuts made in prior years, after defaulting on debt payments resulting in the loss of possession of several important City assets and only after many years of depleting its general fund reserves to zero just prior to the bankruptcy filing. The $3.1 million is insufficient for a City of our size.

The current General Fund target reserve policy is due for a review and revision to accommodate GFOA recommended best practices, and the Plan of Adjustment (as amended) once confirmed. The City Council has indicated their support for the 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 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") 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

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, 2013 was 0.07%. The average rate earned for prior year was 1.70%. As of June 30, 2013, the market value for the City's investments, excluding cash with fiscal agents, totaled $273.2 million, which compares to current holdings at April 30, 2014 of $293.0 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.

INTERNAL CONTROLS AND LIMITATIONS

The intent of the CAFR is to provide the City Council and the public with a solid 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 audits completed to date a large number of significant and material weaknesses in the internal control structure have been found and reported by management and the auditors, many due to use of an antiquated financial system, the Finance team with the City's new Internal Auditor, Moss Adams LLP, have been engaged in an extensive review under its internal audit plan and risk assessment to improve the City's key controls, systems, and policies and procedures. This important body of work will take place over 24 months and help the City as it emerges from bankruptcy and will support restoring the City's fiscal health and sustainability.

Budgetary control is at the department level and has greatly improved for the General Fund and at the fund level for all other funds. Fund transfers 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. Through 2010, the City received a Certificate of Achievement for the last 22 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements. Due to other priorities such as bankruptcy and getting the City's fiscal house in order, the fiscal years 21011 throuth 2013 CAFR's were not submitted for the award. Plans are in place to begin submissions again with the 2014 CAFR.

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, Council members and the Audit Committee for your interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

KURT O. WILSON
CITY MANAGER

VANESSA BURKE
CHIEF FINANCIAL OFFICER

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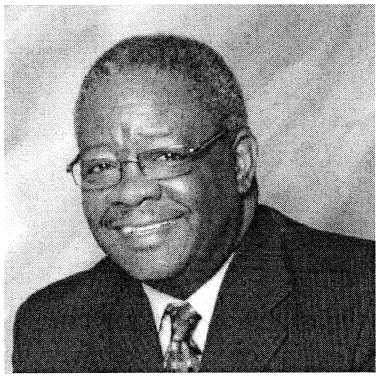
CITY OF STOCKTON
CITY COUNCIL

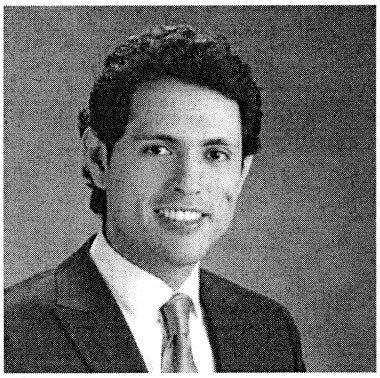
ANTHONY SILVA
MAYOR

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

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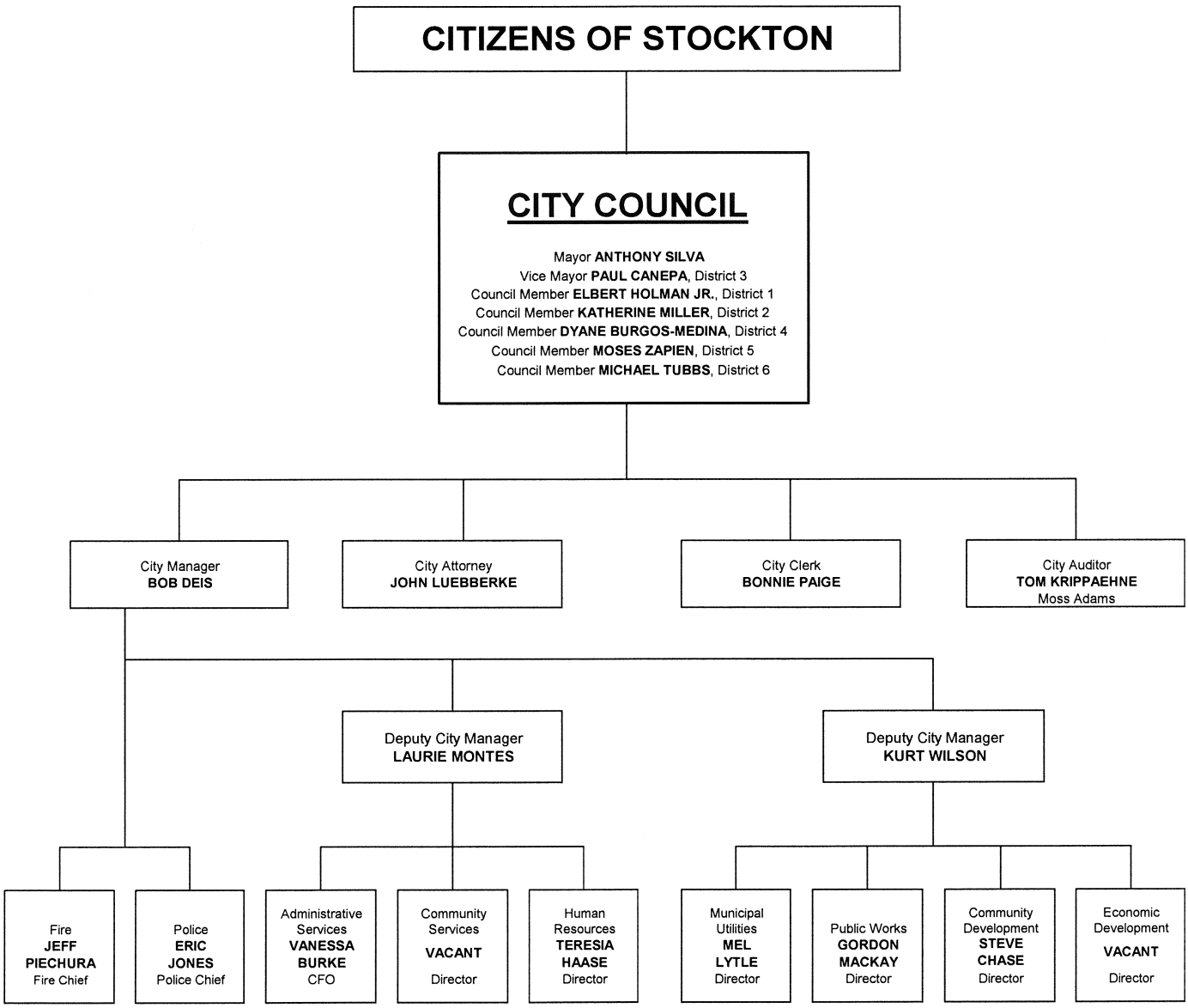
CITY OF STOCKTON
ORGANIZATION CHART / LIST OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2013



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CITY OF STOCKTON

FINANCIAL SECTION

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PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

1655 North Main Street
Suite 355
Walnut Creek, California 94596

Phone: (925) 954-3300
Fax: (925) 954-3350
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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, 2013, 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.

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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 15 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 15. 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. 60, *Accounting and Financial Reporting for Service Concession Arrangement;* GASB Statement No. 61, *The Financial Reporting Entity—Omnibus—an amendment of GASB Statement No. 14 and No. 34;* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

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 X–X and XX–XX 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.

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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.

Walnut Creek, California
May 9, 2014

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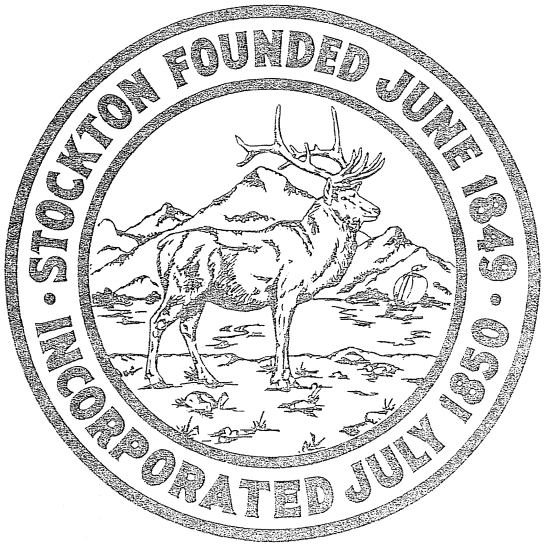

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CITY OF STOCKTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF STOCKTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Management's Discussion and Analysis (MD&A) is intended as an introduction to the City of Stockton's basic financial statements for the fiscal year ended June 30, 2013. The purpose of the MD&A is to provide readers information necessary to enhance the understanding of the City's financial condition, changes in financial condition and results of operations. Three principal objectives are:

- to provide a narrative explanation of a the City's financial statements that enables readers and investors to see the City through the eyes of management;
- to enhance the overall financial disclosure and provide the context within which financial information should be analyzed; and
- to provide information about the quality of, and potential variability of, the City's change in net position and cash flow.

Where appropriate we include comparisons to the audited June 30, 2012 financial statements. The information presented here should be considered with the information furnished in the Letter of Transmittal, the opinion of the independent auditor's in their report, and the Comprehensive Annual Financial Report (CAFR).

Analysis included here focus on the information presented in the CAFR. For more detailed information about the Significant Financial Events described herein, it is recommended to go to the City's website that includes filings with the U.S. Bankruptcy Court, declarations by management of the City, the 2012-2013 Pendency Plan Budget, long-term forecasts for the General Fund, a second opinion offered by Management Partners about the City of Stockton's financial condition, and the City's petition for protection under chapter 9 of the U.S. Bankruptcy Code. Due to the delay in issuing the fiscal 2013 financial statements as described in the Transmittal Letter, this MD&A will describe important uncertainties facing the City at June 30, 2013 that may have since been resolved or are ongoing. It is important for context that readers compare the MD&A's discussion of current events of fiscal year 2014 to those described in the subsequent event footnotes included in the CAFR.

SIGNIFICANT FINANCIAL EVENTS

Chapter 9 Filing

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, previous City decisions based on the misguided belief in the seemingly endless growth in regional fiscal fortunes, which when combined with the severe impacts of the "Great Recession", exhausted the City's general financial reserves and burdened it with obligations it could not pay. Those obligations had grown to exceed General Fund resources by $26 million in fiscal year 2012-13 and unless addressed, would have continued to grow in future

years. After an exhaustive process of self-examination, verification of City's financial status by staff and outside experts, and participation in a new State mandated mediation process (AB 506), the City Council made the courageous 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 2012-13 Pendency Plan that balanced the General Fund budget by including approximately $26 million in reductions to debt payments, salary and benefit reductions, a two year phase-out of the Retiree Medical Insurance plan, and other measures. The creditors affected by those decisions fought hard to deny the City's eligibility for bankruptcy for most of this fiscal year, causing the City to expend scarce resources defending its actions. Finally on April 1, 2013, the federal bankruptcy court ruled that the City was indeed insolvent and had met the required conditions to enter Chapter 9 bankruptcy.

During the period the City is in bankruptcy, it operates under the Pendency Plan. The differences between payments required by contracts and the amount actually paid become claims in bankruptcy and are resolved through negotiations and, ultimately, the Plan of Adjustment submitted to the creditors for approval and to the bankruptcy court for confirmation. The Plan of Adjustment is intended to bring the City's debts in line with its resources, both now and over time.

Though the City's General Fund was insolvent, the Pendency Plan and bankruptcy affected other City funds as follows:

1. Reductions in labor costs resulting from reductions in compensation and retiree medical benefits costs in funds with labor costs.

2. General Fund subsidy reductions decreased revenue in the receiving funds and General Fund debt reductions reduced expenses or transfers in other funds.

3. Cost of eligible services were transferred from Public Works and Public Safety to Gas Tax and Measure W funds, respectively.

Bankruptcy Impact to Operations

There is a ripple effect from the filing for bankruptcy. The Pendency Plan Budget changes were substantial and reduced the $26 million budgetary imbalance in annual expenditures by impairing certain City obligations. Those reductions are detailed in the 2012-13 adopted Budget. The most significant relate to cancellation of debt service payments paid by the General Fund, cancellation of payments on lease obligations of certain leased City facilities, substantial reduction in and the ultimate elimination of retiree health insurance contributions by the City, and other significant changes to compensation and benefits of current employees. Although the Filing resulted from insolvency in the City's General Fund, contract obligations (i.e. retiree health benefits, compensation) span the entire workforce of the City. Other funds, therefore, are directly affected by the reductions; however, the City has worked extremely hard to preserve the firewall between the City's General Fund operations and its restricted fund operations. The City has not impaired debt or contractual obligations specific to particular restricted funds such as the City's Utilities or borrowed from those funds to support its unrestricted funds.

Severe workload increases and demands have resulted from bankruptcy mediation and negotiations. The City has undergone an enormous effort for litigation support, data collection, financial evaluation and legal filings. It has been shared that with competing demands on an already reduced workforce, management's ability to identify, monitor and address financial management issues of the past on a timely basis has been compromised. The remaining staff have struggled to keep up with these demands, normal day to day operations, and external financial reporting. Substantial investigation and discovery of past financial records to uncover years of inaccurate accounting was needed and exposed a cumbersome system for closing and reporting the financial records, weak and obsolete financial management software, and unmanaged risks and weak internal controls throughout the City. These conditions continue to be obstacles to a full recovery for the City but new management has put strategic plans in place to address these issues. Despite this challenging work environment, the City was able to work with its independent auditors to produce the fiscal 2011, 2012 and 2013 CAFRs with unqualified or "clean" opinions.

The ability of the City Council, the City's staff and the community to identify problems with its financial structure and systems and to take decisive action to correct its problems was a major highlight of the year. Strong teamwork, collaborative negotiations and extensive analysis of options supporting a transparent process prepared the foundation for successful restructuring of obligations and access to new resources. The City swiftly and effectively used its budget, labor negotiations, and, finally, chapter 9 to dramatically arrest its decline and improve its future prospects.

Reserves are Insufficient

The General Fund unrestricted fund balance is far below reserve levels in the City Council Policy or recommended by the Government Finance Officers Association (GFOA) offering little protection in the event of a severe economic downturn. Despite the achievements of fiscal 2013, the City of Stockton still faces challenges that the reader should take into account when using the information provided in this report.

Overview of the Financial Statements

The basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. In addition to the basic financial statements, this report includes other supplementary information.

Government-wide financial statements

Government-wide financial statements are designed to provide readers with a broad overview of the City's finances and information about the activities of the City as a whole, in a manner similar to a private-sector business using full accrual basis of accounting. The government-wide financial statements include 1) the statement of net position and 2) the statement of activities. Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, public works, 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 utilities, the central parking district, municipal golf courses and the solid waste franchise.

This CAFR includes 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 ***statement of net position*** presents information on all City assets, liabilities, and deferred inflows/outflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position, deferred outflows liabilities and deferred inflows 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave).

The government-wide financial statements can be found on pages 40-42 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, or as required by legal enabling legislation. The City of Stockton uses fund accounting to ensure and demonstrate compliance with legal reporting requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as 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 may better 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 changes 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 43-48 of this report.

Proprietary funds. Proprietary funds are generally used to account for activities for which the City charges a fee to either its external or internal customers. Proprietary funds provide the same type of information as in the government-wide financial statements, only in more detail. The City maintains two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Water Utility, Wastewater Utility, Stormwater Utility and Central Parking District, which are 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 the 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 generally accepted practice for reporting these funds. However, it should be noted that 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 49-56 of this report.

Fiduciary funds. The fiduciary funds are used to account for resources held for the benefit of parties outside the government. This includes resources related to land secured financing, employee payroll withholdings, area of benefit fees, public facilities 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 new private-purpose trust fund (agency fund) effective February 1, 2012 for purposes of accounting for the winding down of the Successor Agency.

The basic fiduciary funds financial statement can be found on pages 57-60 of this report.

Notes to the financial statements.
The notes to the financial statements provide additional information that is essential to a full understanding of the financial information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 61-156 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 defined other post-employment benefits (OPEB). Required supplementary information can be found on pages 157-164 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

Net Position of the City
Net position serves as a useful indicator of a government's financial position. In the case of the City of Stockton, assets exceed liabilities by $1,259 million at the close of the fiscal year, which is a $71.8 million increase, or 6.0%, from 2012 total net position. Of this increase, $69.6 million is attributable to governmental activities and $2.1 million to business-type activities. The increase in the governmental activities is most significantly impacted by decrease in city program expenses of $61.1 million and increase in program revenues of $9.5 million primarily consisting of operating and capital grants and contributions.

The largest component of the City of Stockton's net position is its investment in capital assets of $1,144.3 million (e.g., land and easements, buildings and improvements, infrastructure, intangible assets and equipment), net of any related outstanding debt used to acquire these assets.

The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to reduce these liabilities.

An additional portion of the City's net position, $118.2 million or 9.3%, represents resources that 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%, reflecting the fact that, in aggregate, the City's resources are entirely committed in illiquid capital assets or are restricted in their uses. The net result is a deficit of $3.9 million in unrestricted net position for the City of which governmental activities were a $77.2 million deficit and business-type activities were $73.3 million positive. Deficit in unrestricted net position is an indicator of the dire financial situation of the City's governmental activities as of June 30, 2013.

Also, current Generally Accepted Accounting Principles (GAAP) do not provide for fully recording unfunded actuarial liabilities as liabilities in the 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 $120.5 million. 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, 12, and 13, the balance of City's unfunded actuarial liabilities for its pension plan, its self-insurance program, and its retiree health benefit plan, respectively totaling $326.6 million are not recorded as liabilities in the City's Statement of Net Position but are disclosed consistent with GAAP.

The accounting and reporting for chapter 9 bankruptcies is provided in GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* and requires governments that have filed for bankruptcy to disclose among other things, the pertinent conditions and events giving rise to the petition for bankruptcy, the expected gain, and the effects upon services. Though certain obligations of the City's general fund are in default as of June 30, 2013, the outstanding obligation, net of those paid by bond insurers, related to those defaults continues to remain outstanding until the Plan of Adjustment is confirmed by the United States Bankruptcy Court. Proceeds received from the bond insurers to pay debt service on the bonds for those obligations that are insured, are reported as an Other Financing Source in the fund and are included as a current obligation in long-term debt. Once the Plan is confirmed a write down of those liabilities will occur resulting in a corresponding gain to the City. In addition, though the City has lost its possessory interest in certain leased assets (e.g. parking garages and 400 East Main) as a result of the default, the City continues to hold title to the assets and those assets are still included in the capital assets of the City. The possessory interest only grants the Trustee the right to the use of the buildings and structures, but they do not have the ability to transfer, assign, or sell those assets. In addition, certain other obligations of the City are subject to the stay in bankruptcy, which prevents the creditor from pursuing the City for payment. These debts are claims in the bankruptcy and are subject to final adjustment through the City's Plan of Adjustment in bankruptcy. The details of the Plan of Adjustment are available on the City's website.

The following table presents the government-wide assets, liabilities, and net position for both 2013 and 2012.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	428,623	406,220	144,234	134,661	$ 572,857	$ 540,881
Capital assets	816,273	788,143	770,116	783,208	1,586,389	1,571,351
Total assets	1,244,896	1,194,363	914,350	917,869	2,159,246	2,112,232
Liabilities:						
Current and other liabilities	47,936	55,112	16,122	12,238	64,058	67,350
Long-term liabilities	334,309	343,210	384,378	391,233	718,687	734,443
Net OPEB obligation	125,671	123,534	-	-	125,671	123,534
Total liabilities	507,916	521,856	400,500	403,471	908,416	925,327
Net position:						
Net investment in capital assets	725,427	703,266	418,881	432,082	1,144,308	1,135,348
Restricted	93,905	93,162	24,315	27,976	118,220	121,138
Unrestricted	(82,352)	(123,921)	70,654	54,340	(11,698)	(69,581)
Total net position	$ 736,980	$ 672,507	$ 513,850	$ 514,398	$ 1,250,830	$ 1,186,905

Governmental activities. Total assets for governmental activities increased by $50.5 million, with current and other assets in governmental activities increasing by $22.4 million and capital assets increasing by $28.1 million. This is primarily due to $55.7 million in new construction projects and asset purchases offset with $4.6 million in net retirements and current year depreciation on assets of $23.0 million.

Total governmental activities liabilities decreased by $13.9 million, with current and other liabilities decreasing by $7.2 million, long-term liabilities decreasing by $8.9 million, net OPEB obligations increasing by $2.1 million. The $8.9 million decrease in long-term liabilities reflects a reduction of $9.9 million in compensated absences resulting from negotiated change in sick leave cash out and a reduction of $6.8 million of long-term self-insurance claims and judgments for property-casualty general liability, workers' compensation and health insurances. These reductions are further reduced by $10.6 million of scheduled repayments offset by $18.5 million from bond insurer reimbursements and minor additional borrowings.

Of the $64.5 million increase in total net position of governmental activities, net investment in capital assets increased by $22.2 million, restricted assets increased by $742 thousand, which was offset by decrease in deficit unrestricted net position of $41.6 million during the year. This results in a deficit unrestricted net position balance of $82.4 million.

Business-type activities. Total assets for business-type activities decreased by $0.5 million or 0.1%, with current and other assets increasing by $9.6 million and capital assets decreasing by $13.1 million.

Total liabilities decreased by $3.0 million or 0.7%, with current and other liabilities increasing by $3.9 million and long-term liabilities decreasing by $6.9 million. Total net position for business-type activities decreased by $0.5 million, or 0.1%.

Of the $0.5 million total decrease in net position, net investment in capital assets decreased by $13.2 million and restricted net position decreased by $3.7 million. Business-type activities unrestricted net position increased by $16.3 million, which is comprised of increases of $2.4 million in the Water Utility, $12.6 million in Wastewater Utility, $1.1 million in Stormwater Utility and a net $0.3 million in the Other Enterprise Funds. Increase in Wastewater Utility is a result of 9% rate increase in current fiscal year that was part of multi-year rate increases approved by the City Council in August 2010 for fiscal years through 2015.

Change in Net Position of the City

The City's total program revenues of $403.4 million exceed total expenses of $339.5 million for an increase in overall net position of $63.9 million. This increase is related to the City's governmental activities as detailed in the table on the following page.

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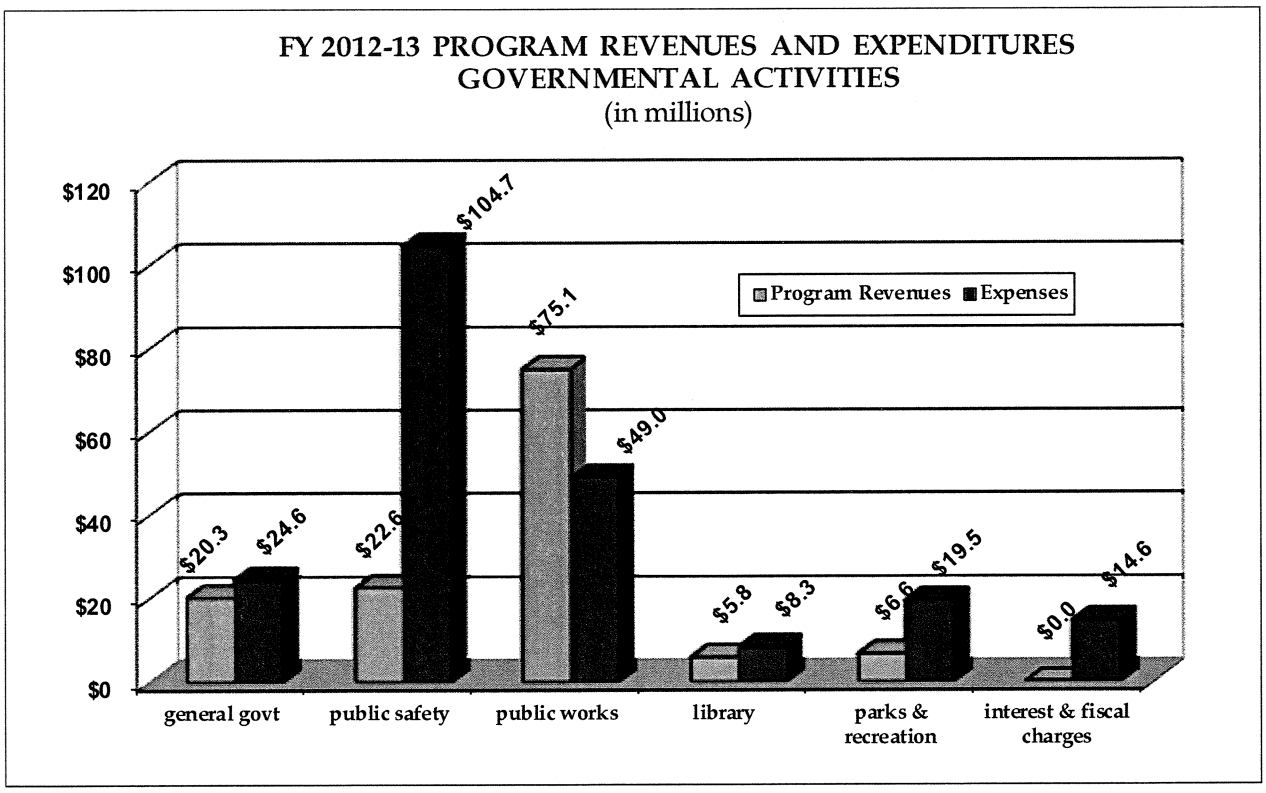
City of Stockton's Change in Net Position

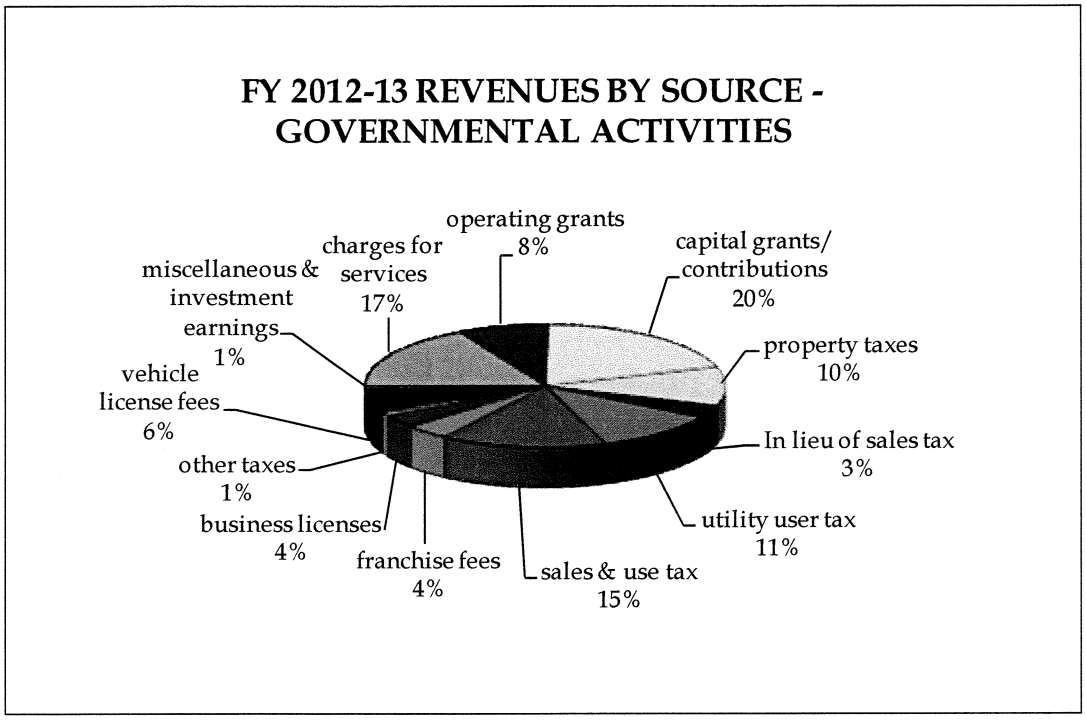
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	$ 49,509	$ 43,355	$ 102,939	$ 95,078	$ 152,448	$ 138,433
Operating grants and contributions	23,827	20,460	4,175	4,175	28,002	24,635
Capital grants and contributions	57,146	54,487	4,700	10,139	61,846	64,626
General revenues:						
Property taxes	29,420	32,772	-	-	29,420	32,772
In lieu of sales tax	9,938	8,392	-	-	9,938	8,392
Utility user taxes	31,941	31,505	-	-	31,941	31,505
Sales and use taxes (City levied)	9,086	8,576	-	-	9,086	8,576
Franchise taxes	11,677	12,465	-	-	11,677	12,465
Business licenses	10,153	9,873	-	-	10,153	9,873
Hotel/motel room taxes	2,005	1,933	-	-	2,005	1,933
Document transfer taxes	458	603	-	-	458	603
Other taxes	287	159	1,197	1,205	1,484	1,364
Motor vehicle fees in lieu	17,433	17,734	-	-	17,433	17,734
Sales and use taxes (State levied)	34,031	32,604	-	-	34,031	32,604
Other shared revenue	400	-	-	-	400	-
Investment earnings	123	2,802	530	1,865	653	4,667
Miscellaneous	2,411	974	13	(18,012)	2,424	(17,038)
Gain on sale of capital assets	(1)	-	-	-	(1)	-
Total revenues	289,844	278,694	113,554	94,450	403,398	373,144
Expenses						
General government	24,909	41,548	-	-	24,909	41,548
Public safety	108,931	154,230	-	-	108,931	154,230
Public works	49,259	34,635	-	-	49,259	34,635
Library	8,445	10,176	-	-	8,445	10,176
Parks and recreation	19,736	20,760	-	-	19,736	20,760
Interest and fiscal charges	14,615	20,529	-	-	14,615	20,529
Water utility	-	-	48,570	30,162	48,570	30,162
Wastewater utility	-	-	51,166	51,530	51,166	51,530
Stormwater utility	-	-	5,959	6,685	5,959	6,685
Central parking district	-	-	4,944	4,903	4,944	4,903
Other	-	-	2,939	3,750	2,939	3,750
Total expenses	225,895	281,878	113,578	97,030	339,473	378,908
Increase/decrease in net assets before transfers	63,949	(3,184)	(24)	(2,580)	63,925	(5,764)
Transfers	524	1,718	(524)	(1,718)	-	-
Extraordinary gain	-	75,350	-	-	-	75,350
Change in net position	64,473	73,884	(548)	(4,298)	63,925	69,586
Net position, beginning, original	672,507	598,623	514,398	508,796	1,186,905	1,107,419
Prior period adjustments	-	-	-	9,900	-	9,900
Net position, beginning, as restated	672,507	598,623	514,398	518,696	1,186,905	1,117,319
Net position, end of year	$ 736,980	$ 672,507	$ 513,850	$ 514,398	$ 1,250,830	$ 1,186,905

Governmental activities. Program revenue associated with Governmental Activities totaled $130.5 million, or 59% of program expenditures. Expenditures not covered by program revenues must be funded from non-program sources like general tax revenues. In the chart below, the program revenue and expense bars illustrate the gap between program revenues and expenditures by major activity. Public safety programs rely heavily on taxes to support operations. General government programs provide benefit to both business-type and governmental activities and receive some funding through internal indirect cost allocations to supplement program revenue and general tax revenue.



The pie chart below illustrates the distribution of total revenues of $289.8 million among its various sources. The largest revenue sources for governmental activities are charges for services of $49.5 million or 17% and capital grants/contributions of $57.1 million or 20% of total revenues. Property tax and sales & use tax are also significant revenue sources for the City's governmental activities, amounting to 10% and 15%, respectively. The remaining 38% of revenue for governmental activities comes from special taxes, franchise fee revenue, operating grants and other intergovernmental revenues.



Total government activities revenues increased by $11.2 million, or 4%, compared to the prior year due primarily to increase in charges for services of $6.2 million or 14% and the increase in operating and capital grants and contribution of $6.0 million or 8%.

Changes in City's general revenues occurred as follows:

- General Fund property taxes decreased by $3.4 million or 10%. Property taxes have declined significantly since fiscal year 2007-2008 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 2007-2008 the assessed values in San Joaquin County have declined from over $62.6 billion prior to the Great Recession to as low as $53.2 billion (FY 2012-2013), a drop of 15 percent. For the City of Stockton, assessed values as reported by San Joaquin County declined 1.56% from FY 2011-12. Fiscal year 2013-2014 will be the first year since 2007 that the assessed value roll countywide has increased.
- There were increases of $1.4 million in sales and use tax and an approximate $500,000 in sales tax levied by the City (Measure W). The combined sales and use tax-related revenue growth of 4.4% reflects an increase in taxable sales activity in several categories, the largest of which were new car sales and gasoline sales. The latter resulted from higher fuel prices.
- Investment earnings decreased $2.7 million or 95.6%. This was due to significant decline in market value of investments in the last quarter of fiscal year 2013, which substantially offset the earnings on the investments during the fiscal year. The average rate of return on the City's general investment pool declined from 1.70% in fiscal year 2012 to 0.70% in fiscal year 2013.

Capital grants and contributions total $57.1 million or 43.8% of the City's total governmental activities program revenues, an increase of $2.7 million from the prior year. Capital grants and contributions include the following:

- $1.3 million in contributions of capital assets from developers;
- $18.0 million in Measure K funding to fund projects including $5.5 million Lower Sacramento road widening/UPRR, $3.9 million French Camp/Sperry Road/Performance Road extension, $3.1 million Arch and Sperry Road extension, $2.6 million for Eight Mile road/Union Pacific Railroad (UPRR) East Grade Separation, $2.5 million for Eight Mile road/UPRR West separation.
- $29.0 million in federal and state grant revenues expended on projects such as $7.9 million in Arch and Sperry Road extension, $5.2 million for street overlay and rubberized cape seal, $4.0 million French Camp/Sperry Road/Performance Road extension, $2.9 million for Eight Mile road/UPRR West separation, $1.4 million for Eight Mile road/Union Pacific Railroad (UPRR) East Grade Separation, $1.0 for Bus Rapid Transit Phase III, and $6.6 on other street improvements and energy efficiency projects.
- $6.6 million in Gas Tax for street related projects.
- $2.2 million in various local capital grants and contributions.

Operating grants and contributions total $23.8 million or 18% of the City's total governmental activities program revenues, an increase of $3.4 million from the prior year. Operating grants and contributions include the following:

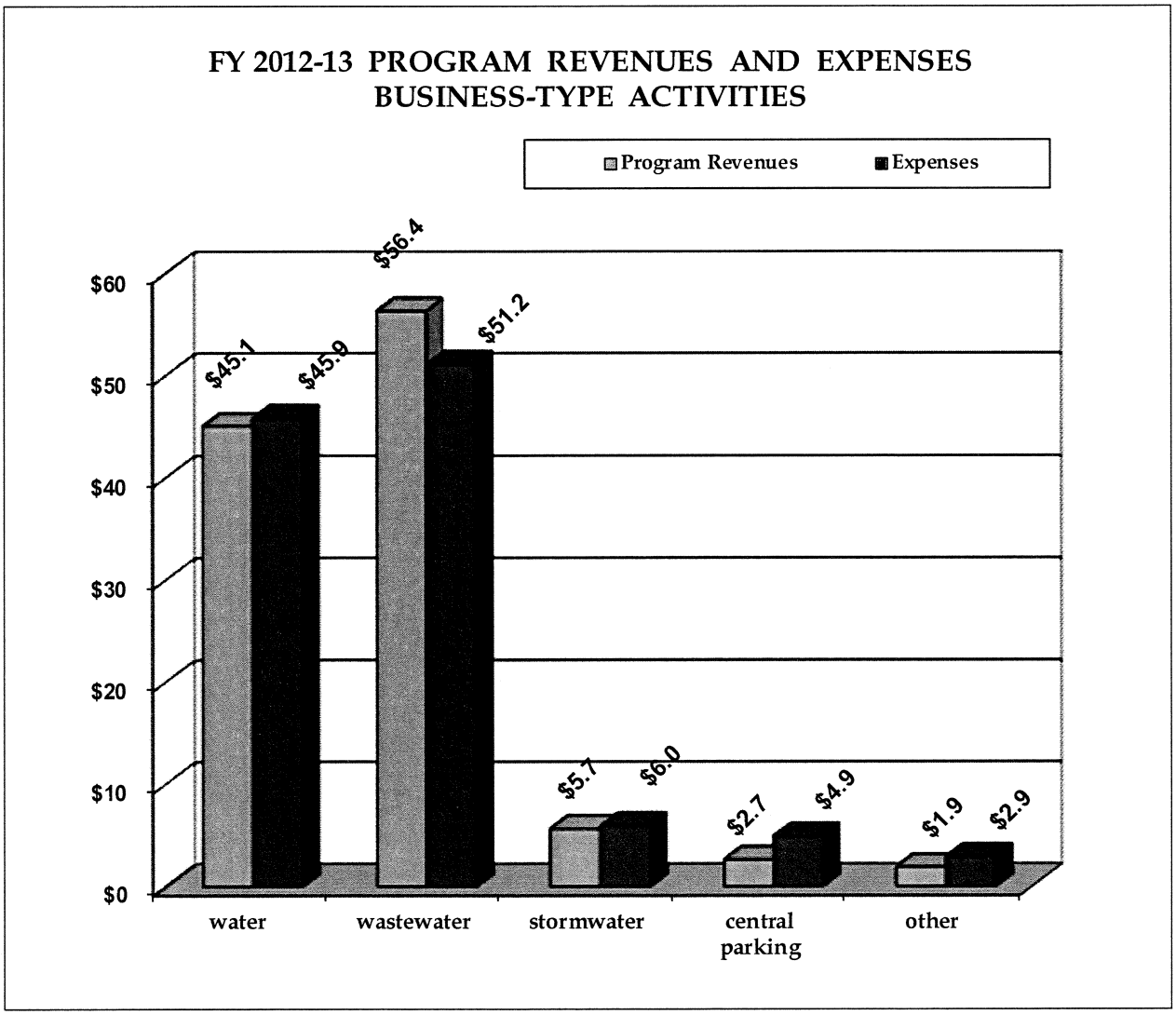
- $16.7 million in federal and state grant revenues expended on programs such as housing $13.0 million, police and fire safety $3.0 million, and library, recycling, and other public works $0.7 million.
- $5.0 million in county library contributions
- $2.1 million in various other local operating grants and contributions

Program expenses for governmental activities decreased by $56.0 million, or 19.9%. Key changes in governmental expenses occurred as follows:

- Public works increased by $14.6 million, or 42.2%, primarily due to increased costs associated with housing loan programs and depreciation of the City's capital assets.
- Public safety decreased by $45.3 million, or 29.4%, due to negotiated concessions on salary and benefits and staffing reductions.
- Parks and recreation decreased by $1.0 million, or 4.9%, primarily due to negotiated concessions on salary and benefits and workers 'compensation and general liability allocations.
- Library costs decreased by $1.7 million, or 17.0%, primarily due to negotiated concessions on salary and benefits, reduction in operating costs and workers 'compensation and general liability allocations.
- General government expenses decreased by $16.6 million, or 40.0%, primarily due to due to negotiated concessions on salary and benefits and staffing reductions and legal costs associated with AB 506 process.
- Interest and fiscal charges decreased by $5.9 million, or 28.8%, due to full year exclusion of the former Redevelopment Agency revenue bonds combined with lower interest expense on the remaining debt.

Business-type activities. The City operates three enterprise funds that offer water, wastewater and stormwater services to Stockton residents.

The water utility treats and distributes clean drinking water and performs repair and maintenance functions of existing wells, reservoirs, and water lines, as well as builds additional water distribution system capital improvements through its capital improvement master plan. The wastewater utility collects, treats, and disposes of sewer, and builds additional wastewater collection system capital improvements through its capital improvement master plan. The stormwater utility collects drainage and disposes of stormwater runoff from City streets and builds additional storm drainage distribution system capital improvements through its capital improvement master plan. The wastewater and stormwater enterprises also perform repair and maintenance functions of existing wastewater and stormwater mains, pump stations, and treatment facilities. Other enterprise functions, such as the central parking facilities, downtown marina, and municipal golf courses, are also business-type activities of the City.



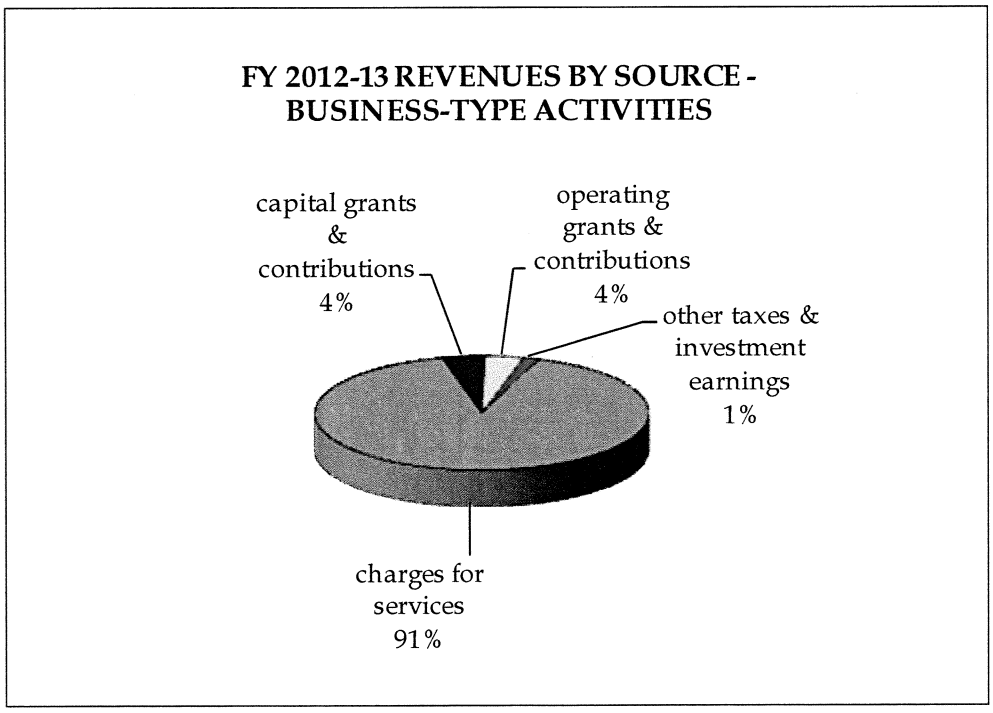
Business-type activities accounted for a $0.5 million increase in the City's net position. The bar chart above illustrates how total program revenues and expenses compare. Program revenues exceeded program expenses for one of the five enterprise categories, wastewater by $5.2 million. Increase in Wastewater Utility is a result of 9% rate increase in current fiscal year that was part

of multi-year rate increases approved by the City Council in August 2010 for fiscal years 2011 through 2015.

Central parking operating income decreased $0.9 million primarily due to reduction in charges for services of $0.8 million, which is the result of trustee taking possessory interest in three City parking garages. Fees for use of these parking facilities are no longer recorded as revenues in the fund. In addition, $0.8 million was used to pay for a share of debt service payments on the SEB building. Water, Stormwater and other nonmajor enterprise funds operated at nearly breakeven this year.

Both wastewater and stormwater conducted a fee and charges for services rate study in fiscal year 2010-2011. Wastewater utility rates have been increased through a proposition 218 vote that passed in August 2010 to cover increased operating costs and meet required coverage ratios. The rate increases are phased in over a five year period beginning in fiscal year 2010-11 and include an adjustment mechanism to account for inflation. A Proposition 218 stormwater ballot initiative for a "Clean Water Fee" was also undertaken that year, but failed to get voter approval. In 2011, there was also a water rate increase under the water rate study, approved in 2010 as part of funding for the multi-year Delta Water Supply Project. The 2013 rate increase was 10%.

The pie chart below illustrates the distribution of business-type revenues by category. All the City's business-type activities rely heavily on charges for services to fund their operations, comprising 91% of total business-type revenues. Capital/operating grants and contributions revenues comprise 8% and parking assessments (other taxes) and investment earnings are 1% of total revenues.



Business-type activities program revenue increased overall by $19.1 million, or 20%. Charges for services revenue increased $7.9 million over the prior year, or 8.3% due to the rate increases in water and wastewater described above. Operating grants and contributions stayed the same as in prior year. Capital grants and contributions decreased $5.4 million, or 54%. This decrease is due to a Proposition 84 Grant received from the State of California for the Delta Water Supply Project of $3.6 million in prior year, and decrease in capital and developer contributions of $1.8 million overall in the Water, Wastewater and Stormwater funds. It is important to note that these revenues were one-time in nature and cannot be used to fund operating costs, which may serve to obscure the need for rate increases.

Investment earnings in business-type activities total $0.5 million, a decrease of $1.3 million or 72% from fiscal year 2012, due to decline in market value of investments in the last quarter of fiscal year 2013, which substantially offset the earnings on the investments during the fiscal year. This was coupled with a decline in cash held by fiscal agents for bond project accounts.

Financial Analysis of the City's Funds

As noted earlier, the City of Stockton uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. This financial analysis of the major governmental and proprietary funds provides an overview of the City's financial performance. The financial analysis tables in the following section provide summary financial information of the City's major and internal service funds' asset and liabilities balances and current year transactions, along with prior year comparative information.

Governmental funds

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 1R). 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.

Total for the governmental funds fund balance of $93.8 million increased by $13.9 million compared to the prior year. Of the total governmental fund balances, $0.8 million is non-spendable, $83.1 million is restricted, $10.7 million is committed, $18.0 million is assigned, resulting in overall deficit unassigned fund balance of $18.8 million. The deficit is a result of the Howard-Jarvis Settlement payable from general fund debt service to water and wastewater. Until a Plan of Adjustment is confirmed by the United States Bankruptcy Court, the amount remains outstanding under accounting standards.

General Fund

The General Fund is the chief operating fund of the City and reflects financial activity related to many tax-supported services provided to Stockton citizens. The total fund balance increased by $16.7 million compared to the prior year. At the end of the fiscal year, current assets exceed

current liabilities by $31.3 million and there were no noncurrent assets or liabilities. Cash and investment balances increased by approximately $16.3 million from the prior year balances, to total $27.0 million at June 30, 2013. Of importance in this analysis is that the City's General Fund includes certain other funds of the City that are restricted such as the City's Library system it operates for the County, Entertainment Venues, and other programs that are subject to user fees and charges to support its operations. The City's General Fund alone ended the year with $11.4 million in cash and investments, which is a significant improvement from prior year of $1.5 million. The increase in cash and investments was a result of the drastic measures taken by the City Council in February 2012 and a subsequent bankruptcy filing in June 2012 to allow the City to curtail its debts and impair its obligations in the 2012-13 Pendency Plan Budget. Should those events not take place, the City's General Fund would not have had sufficient cash to continue to operate during the fiscal year.

General Fund Financial Analysis

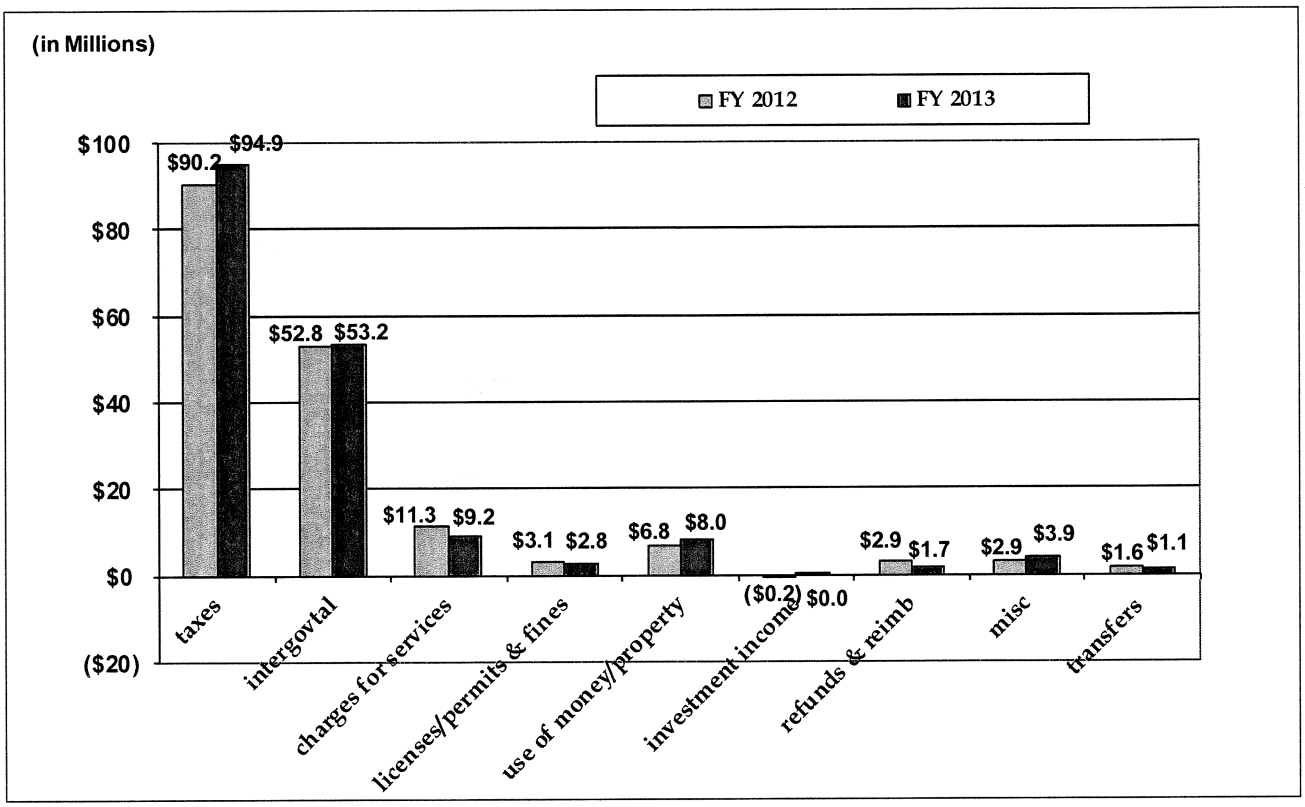
($ in millions)

	2013	2012	Variance
Balance Sheets			
Cash and investments	$ 27.0	$ 10.7	$ 16.3
Other current assets	19.9	20.2	(0.3)
Current liabilities	(15.6)	(15.2)	(0.4)
Net current assets (liabilities)	31.3	15.7	15.6
Noncurrent assets	-	-	-
Noncurrent liabilities	-	(1.1)	1.1
Net noncurrent assets (liabilities)	-	(1.1)	1.1
Total Fund Balance, End of Year	$ 31.3	$ 14.6	$ 16.7
Statements of Revenues, Expenditures and Changes in Fund Balance			
Revenues	$ 173.7	$ 169.9	$ 3.8
Expenditures	(154.7)	(162.3)	7.6
Other financing sources (uses)	(2.3)	(5.2)	2.9
Net change in Fund Balance	16.7	2.4	14.3
Total Fund Balance, Beginning of Year	14.6	12.2	2.4
Total Fund Balance, End of Year	$ 31.3	$ 14.6	$ 16.7
Fund Balances:			
Nonspendable	$ 0.4	$ 0.3	$ 0.1
Restricted	$ 2.2	$ 2.1	$ 0.1
Committed	$ 10.7	$ 8.1	$ 2.6
Assigned	$ 14.9	$ 4.1	$ 10.8
Unassigned	$ 3.1	$ -	$ 3.1

Fiscal year 2013 General Fund revenues were above prior year totals by $3.8 million reflecting recoveries from recessionary impacts on City's General Fund property tax and sales tax revenues. Property tax revenues, including those in lieu of sales tax, increased by approximately $4.6 million. This was primarily attributable to a one-time receipt of Property Tax Administrative Fee refund of $3.1 million from San Joaquin County, which resulted from a court ruling earlier in the year. Sales and use tax revenue was up $1.1 million. However, charges for services decreased $2.1 million. This was caused by $0.7 million decrease in code enforcement fees due to discontinuation of the Teeter Plan by the County and $1.9 million

decrease in fire districts contract fees due to reduction in fire personnel expenditures implemented as part of the 2012-13 Pendency Plan as well as change in billing rates.

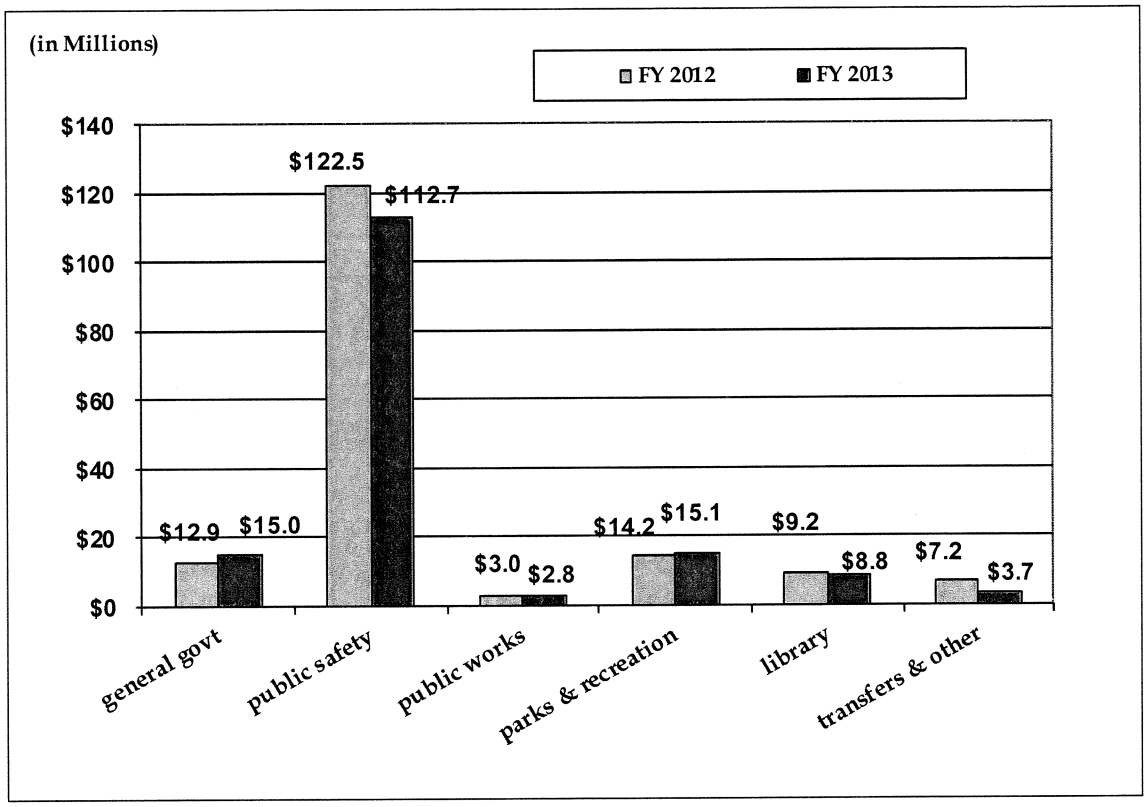
General Fund Revenue Actuals by Source Category – FY 2011-12 vs. FY 2012-13



Expenditures decreased from the prior year by $7.6 million reflecting primarily imposed concessions resulting from the implementation of the pendency plan aimed to balance the 2012-13 general fund budget while in bankruptcy protection. These reductions were offset with $2.9 million increase in bankruptcy costs.

Other financing sources (transfers) decreased from the prior year by $2.9 million largely due to elimination of certain General Fund backed debt obligations of approximately $2.6 million, which have been stayed under the chapter 9 bankruptcy. In addition during fiscal year 2012, General Fund transferred $1.1 million to the Redevelopment Agency, which was dissolved in February 2012. Subsidy to the established Successor Agency to the Redevelopment Agency is recorded as program expenditures for fiscal year 2013 financial statements presentation purposes. These decreases were offset with $0.8 million increase in transfer for program support.

General Fund Expenditures Actual by Services Program FY 2011-12 vs. FY 2012-13



At the end of this fiscal year, the total fund balance for the General Fund of $31.3 million includes non-spendable fund balance of approximately $0.4 million, restricted fund balance of $2.2 million, committed fund balance of $10.7 million, assigned fund balance of $18.0 million, and zero unassigned fund balance. As a measure of the General Fund's liquidity, it is useful to compare assigned and unassigned fund balances of $18.0 million to the General Fund's total expenditures of $157.0 million, amounting to only 11.5% solely from assigned funds. Though this ratio has improved from 2.4% in prior year, these funds have already been appropriated by City Council.

HOME Fund

The Stockton First-Time Homebuyer Program is managed by the Economic Development Department and funded through U.S. Department of Housing and Urban Development HOME funds. The program offers equity sharing deferred home financing loans to qualified homeowners. Cash and investment balances decreased by approximately $400,000 from prior year due to increased expenditures from operations.

HOME Fund

($ in millions)

	2013	2012	Variance
Balance Sheets			
Cash and investments	$ 0.3	$ 0.7	$ (0.4)
Other current assets	-	0.2	(0.2)
Current liabilities	-	(0.1)	0.1
Net current assets (liabilities)	0.3	0.8	(0.5)
Noncurrent assets	35.4	30.4	5.0
Noncurrent liabilities	(35.4)	(30.4)	(5.0)
Net noncurrent assets (liabilities)	-	-	-
Total Fund Balance, End of Year	$ 0.3	$ 0.8	$ (0.5)
Statements of Revenues, Expenditures and Changes in Fund Balance			
Revenues	$ 4.2	$ 1.7	$ 2.5
Expenditures	(4.7)	(1.0)	(3.7)
Net change in Fund Balance	(0.5)	0.7	(1.2)
Total Fund Balance, Beginning of Year	0.8	0.1	0.7
Total Fund Balance, End of Year	$ 0.3	$ 0.8	$ (0.5)
Nonspendable	$ -	$ -	$ -
Restricted	$ 0.3	$ 0.8	$ (0.5)
Committed	$ -	$ -	$ -
Assigned	$ -	$ -	$ -
Unassigned	$ -	$ -	$ -

Revenues for 2013 increased by $2.5 million and expenditures increased by $3.7 million compared to the prior year. The increase in revenue is due to an increase in federal reimbursements from the United States Department of Housing and Urban Development and increase in principal and interest payments on the loans. Revenues increased consistent with increases in expenditures due to increased HOME program activity.

Low-Moderate Income Housing City Loans Fund

The Low-Moderate Income Housing Fund accounts for loans to non-profit developers and property owners for rehabilitation and/or construction of housing units, which are deed restricted for occupancy by low-and-moderate income households. The total fund balance remains consistent with prior year of $3.1 million. At the end of the fiscal year, current assets exceed current liabilities by $3.1 million.

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Low-Moderate Income Housing Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Balance Sheets			
Cash and investments	$ 0.1	$ 0.1	$ -
Other current assets	3.0	1.1	1.9
Current liabilities	-	-	-
Net current assets (liabilities)	3.1	1.2	1.9
Noncurrent assets	54.5	55.6	(1.1)
Noncurrent liabilities	(54.5)	(53.7)	(0.8)
Net noncurrent assets (liabilities)	-	1.9	(1.9)
Total Fund Balance, End of Year	$ 3.1	$ 3.1	$ -
Statements of Revenues, Expenditures and Changes in Fund Balance			
Revenues	$ 0.4	$ 0.1	$ 0.3
Expenditures	(0.2)	-	(0.2)
Other financing sources (uses)	(0.2)	-	(0.2)
Extraordinary item	-	3.0	(3.0)
Net change in Fund Balance	-	3.1	(3.1)
Total Fund Balance, Beginning of Year	3.1	-	3.1
Total Fund Balance, End of Year	$ 3.1	$ 3.1	$ -
Fund Balances:			
Nonspendable	$ -	$ -	$ -
Restricted	$ 3.1	$ 3.1	$ -
Committed	$ -	$ -	$ -
Assigned	$ -	$ -	$ -
Unassigned	$ -	$ -	$ -

Revenues for fiscal year 2013 increased by $0.3 million and expenditures increased by $0.2 million compared to the prior year. The increase in revenue is due to increase in repayment of principal on the loans. The increase in expenditure is attributable to increase in program activities.

Capital Improvement Project Fund

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

Capital Improvement Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Balance Sheets			
Cash and investments	$ -	$ -	$ -
Other current assets	17.6	23.2	(5.6)
Current liabilities	(15.2)	(20.9)	5.7
Net current assets (liabilities)	2.4	2.3	0.1
Noncurrent assets	-	-	-
Noncurrent liabilities	-	-	-
Net noncurrent assets (liabilities)	-	-	-
Total Fund Balance, End of Year	$ 2.4	$ 2.3	$ 0.1

Statements of Revenues, Expenditures and Changes in Fund Balance

	2013	2012	Variance
Revenues	$ 30.9	$ 31.1	$ (0.2)
Expenditures	(56.1)	(32.4)	(23.7)
Other financing sources (uses)	25.3	0.6	24.7
Special items	-	-	-
Net change in Fund Balance	0.1	(0.7)	0.8
Total Fund Balance, Beginning of Year	2.3	3.0	(0.7)
Total Fund Balance, End of Year	$ 2.4	$ 2.3	$ 0.1
Fund Balances:			
Nonspendable	$ -	$ -	$ -
Restricted	$ 2.4	$ 2.3	$ 0.1
Committed	$ -	$ -	$ -
Assigned	$ -	$ -	$ -
Unassigned	$ -	$ -	$ -

As the table above details, expenditures exceeded revenues by $25.2 million. Revenues decreased from the prior year by $0.2 million due to a decrease in PG&E reimbursement and county withholding of distribution of other revenue. Expenditures totaled $56.1 million, which is $23.7 million higher than the prior year due to increased expenditures for various street related projects funded by capital grants. The $24.7 million increase in other financing sources is due to change in financial statement presentation of capital projects other financing sources and uses, which are reported at gross in fiscal year 2013. The decrease of $5.6 million in other current assets was due to the decrease in receivables from other governments resulting from payment on outstanding reimbursement claims for various street related projects.

The entire $2.4 million fund balance is restricted for ongoing capital projects.

Proprietary Funds

Proprietary funds consist of enterprise funds and internal service funds. The proprietary funds' financial statements provide additional detailed information not found in the government-wide financial statements. Both presentations are accounted for on the full accrual accounting basis. Each funds' financial transactions, both near-term and historic, is provided in the statement of net position and the statement of revenues, expenses and changes in net position.

Total net position of all the enterprise funds totaled $516.5 million, an increase of $2.1 million from the prior year. In fiscal year 2013, the Stormwater Utility fund experienced an operating loss of $0.2 million. Operating losses signal that an enterprise's operating revenue structure is not meeting standard operating and infrastructure renewal and replacement cost needs. This is the twelfth consecutive year that the Stormwater Utility Fund has ended the year with an operating loss. A stormwater utility ballot initiative that would have resulted in increased rates failed to achieve voter approval in 2010.

At the end of the fiscal year, enterprise unrestricted net position balances are as follows: Water Utility, $42.0 million; the Wastewater Utility, $28.1 million; and the Stormwater Utility, $3.9 million. The Central Parking District reports deficit unrestricted net position of $0.1 million. The Garden Refuse, Downtown Marina Complex and Golf funds are combined for financial reporting purposes and together have deficit unrestricted net position of $0.7 million.

The City's internal service funds are reported in the following two categories in the supplementary information section of the CAFR:

1) insurance/pension-related funds, and
2) equipment-related funds

Total internal service fund net position increased by $11.8 million to reduce overall deficit to $146.2 million. Of the $146.2 million deficit, $9.2 million is net investment in capital assets, $12.5 million is restricted for fleet and equipment replacement, and the balance is an unrestricted deficit totaling $168.0 million. The deficit unrestricted net position arises from the insurance/pension-related funds.

Enterprise Funds Financial Analysis

Water Utility Fund

The Water Utility Fund accounts 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. The total net position balance decreased by $3.0 million from the prior year to total $161.7 million. At the end of the fiscal year, current assets exceed current liabilities by $32.7 million and noncurrent assets exceed noncurrent liabilities by $129.0 million. Cash and investment balances increased by $6.7 million from the prior year balances, to $39.2 million.

Water Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Statements of Net Position			
Cash and investments	$ 39.2	$ 32.5	$ 6.7
Other current assets	7.3	8.8	(1.5)
Current liabilities	(13.8)	(10.9)	(2.9)
Net current assets (liabilities)	32.7	30.4	2.3
Noncurrent assets	384.3	393.6	(9.3)
Noncurrent liabilities	(255.3)	(259.3)	4.0
Net noncurrent assets (liabilities)	129.0	134.3	(5.3)
Total Net Position, End of Year	$ 161.7	$ 164.7	$ (3.0)
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 37.4	$ 33.3	$ 4.1
Operating expenses	(31.7)	(23.1)	(8.6)
Operating income (loss)	5.7	10.2	(4.5)
Non-operating revenues (expenses)	(11.9)	(4.8)	(7.1)
Capital contributions & transfers	3.2	4.4	(1.2)
Change in Net Position	(3.0)	9.8	(12.8)
Total Net Position, Beginning, as originally reported	164.7	145.0	19.7
Prior period adjustment	-	9.9	(9.9)
Total Net Position, Beginning of Year, as restated	164.7	154.9	9.8
Total Net Position, End of Year	$ 161.7	$ 164.7	$ (3.0)
Net investment in capital assets	$ 114.6	$ 119.4	$ (4.8)
Restricted Net Position	$ 7.7	$ 8.3	$ (0.6)
Unrestricted Net Position	$ 39.4	$ 37.0	$ 2.4

Operating revenues and expenses increased in 2013 by $4.1 million and $8.6 million, respectively. The fund had operating income of $5.7 million for the year, which is a $4.5 million lower than prior fiscal year. Operating revenues were up due to 10% rate increase effective July 1, 2012. Operating expenses increased as Delta Water Supply Plant became fully operational at the beginning of the fiscal year with approximate operating costs of $1.4 million. It also captured a full year of depreciation expense of $4.6 million. Legal action related to the Plant construction was settled for $2.6 million and is part of current year expenses.

Non-operating revenues (expenses) increased in 2013 by $7.1 million. This resulted from $8.2 million of interest expense being capitalized in 2012 during the construction of the Delta Water Supply plant. In 2012, the Water Fund received a reimbursement from State of California Proposition 84 Grant for the Delta Water Supply Project Intake and Pump Station Facility of $3.8 million. In 2013, the reimbursement decreased to $207 thousand as the plan construction neared its completion.

Capital contributions and transfers decreased by approximately $1.2 million to $3.2 million. This is due to a decrease in developer contributions of $2.5 million and an increase in connection fees of $1.3 million. Water fund had $3.0 million decrease in net position.

Components of the Water Fund total net position of $164.3 million include net investment in capital assets of $114.6 million, which decreased by $4.8 million. Restricted net position of $7.7 million was down $0.6 million from the prior year, while unrestricted net position of $42.0 million increased by $5.0 million from the prior year.

Wastewater Utility Fund

The Wastewater Utility fund accounts for activities associated with the acquisition or construction, and operation and maintenance of wastewater facilities for collection, treatment, and disposal of wastewater. The total net position balance increased by $5.0 million from the prior year to total $280.5 million. At the end of the fiscal year, current assets exceed current liabilities by $24.6 million and noncurrent assets exceed noncurrent liabilities by $255.9 million. Cash and investment balances increased by $11.8 million from the prior year balances, to total $25.0 million.

Wastewater Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Statements of Net Position			
Cash and investments	$ 25.0	$ 13.2	$ 11.8
Other current assets	7.1	6.2	0.9
Current liabilities	(7.5)	(6.8)	(0.7)
Net current assets (liabilities)	24.6	12.6	12.0
Noncurrent assets	334.7	345.1	(10.4)
Noncurrent liabilities	(78.8)	(82.2)	3.4
Net noncurrent assets (liabilities)	255.9	262.9	(7.0)
Total Net Position, End of Year	$ 280.5	$ 275.5	$ 5.0
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 55.4	$ 50.3	$ 5.1
Operating expenses	(46.7)	(46.9)	0.2
Operating income (loss)	8.7	3.4	5.3
Non-operating revenues (expenses)	(4.5)	(15.0)	10.5
Capital contributions & transfers	0.9	(0.1)	1.0
Change in Net Position	5.1	(11.7)	16.8
Total Net Position, Beginning of Year	275.4	287.2	(11.8)
Total Net Position, End of Year	$ 280.5	$ 275.5	$ 5.0
Net investment in capital assets	$ 235.8	$ 240.1	$ (4.3)
Restricted Net Position	$ 16.6	$ 19.8	$ (3.1)
Unrestricted Net Position	$ 28.1	$ 15.6	$ 12.5

Operating revenues increased in 2013 by $5.1 million, while operating expenses decreased by $0.2 million. This is the second consecutive year of positive operating income for the fund. This improvement directly relates to the 2010 City Council approved multi-year rate increase structure, which had not been changed since 1992.

Capital contributions and transfers increased by approximately $1.0 million due to decrease in transfers out of $1.1 million for vehicle transfers coupled with $0.1 million decrease in capital and developer contributions.

The components of the $280.5 million in total assets include: net investment in capital assets of $235.8 million, which decreased by approximately $4.3 million; restricted net position of $16.6 million, which also decreased by $3.1 million; and unrestricted net position of $28.1 million, which increased by $12.5 million.

Stormwater Utility Fund

The Stormwater Utility Fund accounts for activities associated with the acquisition or construction, and operation and maintenance of stormwater facilities for drainage and disposal of stormwater. The total net asset balance fell slightly $0.3 million from the prior year to $54.5 million. At the end of the fiscal year, current assets exceed current liabilities by $3.9 million and noncurrent assets exceed noncurrent liabilities by $50.6 million. Cash and investment balances were up by $1.3 million to $3.5 million.

Stormwater Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Statements of Net Position			
Cash and investments	$ 3.5	$ 2.2	$ 1.3
Other current assets	0.6	0.9	(0.3)
Current liabilities	(0.2)	(0.2)	-
Net current assets (liabilities)	3.9	2.9	1.0
Noncurrent assets	50.6	51.9	(1.3)
Noncurrent liabilities	-	-	-
Net noncurrent assets (liabilities)	50.6	51.9	(1.3)
Total Net Position, End of Year	$ 54.5	$ 54.8	$ (0.3)
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 5.5	$ 5.9	$ (0.4)
Operating expenses	(5.7)	(6.2)	0.5
Operating income (loss)	(0.2)	(0.3)	0.1
Non-operating revenues (expenses)	(0.3)	(0.5)	0.2
Developer contributions	0.2	0.7	(0.5)
Net change in Fund Balance	(0.3)	(0.1)	(0.2)
Total Net Position, Beginning of Year	54.8	54.9	(0.1)
Total Net Position, End of Year	$ 54.5	$ 54.8	$ (0.3)
Net investment in capital assets	$ 50.6	$ 52.0	$ (1.4)
Restricted Net Position	$ -	$ -	$ -
Unrestricted Net Position	$ 3.9	$ 2.8	$ 1.1

Operating revenues decreased $0.4 million from the prior year to $5.5 million, while operating expenses decreased by approximately $0.5 million. The $200,000 operating loss, an improvement from the prior year loss of $0.3 million, resulted in the twelfth consecutive year in which the Stormwater Utility Fund has had a net operating loss. A net operating loss is an indicator that an enterprise's operating income structure is not meeting standard operating and infrastructure renewal and replacement cost needs. In December 2010, the City Council announced that the Stormwater Utility Fund new "Clean Water Fee" failed to secure a majority of affirmative ballots. Management is still considering options to remedy the ongoing issue of

operating losses, which could include future rate increases. Developer contributions fell by approximately $0.5 million, reflecting slow economic recovery resulting in lack of development.

Components of the $54.5 million total net position include: net investment in capital assets of $50.6 million, which was down by approximately $1.4 million; no restricted net position; and unrestricted net position of $3.9 million, which increased by $1.1 million compared to the prior year.

Central Parking District Fund

The Central Parking District accounts for activities associated with the acquisition or construction, operation and maintenance of off-street parking facilities. The total net position balance decreased by $1.9 million from the prior year to $2.0 million. At the end of the fiscal year, current assets exceed current liabilities by $100,000 and noncurrent assets exceed noncurrent liabilities by $1.9 million. Cash and investment balances changed by $0.9 million.

Central Parking District Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Statements of Net Position			
Cash and investments	$ 1.9	$ 1.0	$ 0.9
Other current assets	0.1	-	0.1
Current liabilities	(1.9)	(1.1)	(0.8)
Net current assets (liabilities)	0.1	(0.1)	0.2
Noncurrent assets	34.6	37.1	(2.5)
Noncurrent liabilities	(32.7)	(33.1)	0.4
Net noncurrent assets (liabilities)	1.9	4.0	(2.1)
Total Net Position, End of Year	$ 2.0	$ 3.9	$ (1.9)
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 2.7	$ 3.5	$ (0.8)
Operating expenses	(3.4)	(3.3)	(0.1)
Operating income (loss)	(0.7)	0.2	(0.9)
Non-operating revenues (expenses)	(0.4)	(0.4)	-
Capital contributions & transfers	(0.8)	(1.6)	0.8
Change in Net Position	(1.9)	(1.8)	(0.1)
Total Net Position, Beginning of Year	3.9	5.7	(1.8)
Total Net Position, End of Year	$ 2.0	$ 3.9	$ (1.9)
Net investment in capital assets	$ 2.1	$ 4.8	$ (2.7)
Restricted Net Position	$ -	$ -	$ -
Unrestricted Net Position	$ (0.1)	$ (0.9)	$ 0.8

Operating revenues decreased in 2013 by $800,000, while operating expenses increased by $100,000. This is due to reduction in charges for services of $0.8 million, which is the result of trustee taking possessory interest in three City parking garages. Fees for use of these parking facilities are no longer recorded as revenues in the fund. In addition, $0.8 million was used to pay for a share of debt service payments on the SEB building.

Transfers decreased by $0.8 million due to a one-time unrestricted cash transfer in 2012 to the general fund to maintain general fund cash liquidity prior to bankruptcy.

Components of the $2.0 million total net position of the Central Parking District Fund include: net investment in capital assets of $2.1 million, which decreased by approximately $2.7 million, and a deficit unrestricted net position of approximately $100,000, an increase of approximately $800,000 compared to the prior year.

Internal Service Funds Financial Analysis

Internal service funds are established to account for the financing of goods and services provided by one City department to other City departments, on a cost reimbursement basis. The City's internal service activities are categorized into two categories, those relating to the:

1) City's insurance/pension-related transactions; such as general liability, workers' compensation liability, employee and retiree health benefits liability, retirement/pension benefits and other insurance liability items; and
2) City's various equipment and vehicle fleet needs and information technology equipment and services.

Insurance/Pension-Related, Internal Service Fund

Insurance/Pension-related internal service funds have been combined below and include the General Liability Insurance Fund, Workers' Compensation Liability Insurance Fund, Employee and Retiree Health Insurance funds, the Retirement Benefits Fund, and the Other Benefits and Insurance Fund. These funds also account for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions approved by management.

The *General Liability Insurance Fund* accounts for premiums and claims paid and administration of general liability insurance provided to all City departments on a cost reimbursement basis. The *Workers' Compensation Liability Insurance Fund* accounts for premiums and claims paid and administration of workers' compensation insurance provided to City employees incurring injury on the job, of which health benefits and other related liability costs are supported by City department payments into the fund. The *Employee Health and Retiree Health Insurance Fund* accounts for premiums and claims paid and administration of health benefits insurance provided to qualified active and retired City employees, with City departmental payments made to the funds sought to reimburse health related expenses incurred for active employees and current retirees.

The *Retirement and Other Benefits Insurance Fund* accounts 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 and to account for premiums and claims paid and administration of comparatively smaller insurance funds provided to City employees on a cost reimbursement basis, to include long-term disability, life insurance, and termination pay and compensated absences benefits.

The prior year deficit of $176.6 million in the insurance/pension-related internal service funds' decreased by $3.4 million to total $173.2 million deficit. At the end of the fiscal year, current assets exceed current liabilities by $8.5 million and noncurrent assets fell short of noncurrent liabilities by $181.7 million. Cash and investment balances increased by $16.0 million to $25.9 million.

Insurance/Pension-Related, Internal Service Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Statements of Net Position			
Cash and investments	$ 25.9	$ 9.9	$ 16.0
Other current assets	9.4	12.2	(2.8)
Current liabilities	(26.8)	(19.7)	(7.1)
Net current assets (liabilities)	8.5	2.4	6.1
Noncurrent assets	115.5	122.9	(7.4)
Noncurrent liabilities	(297.2)	(301.9)	4.7
Net noncurrent assets (liabilities)	(181.7)	(179.0)	(2.7)
Total Net Position, End of Year	$ (173.2)	$ (176.6)	$ 3.4
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 75.2	$ 88.5	$ (13.3)
Operating expenses	(67.0)	(114.6)	47.6
Operating income (loss)	8.2	(26.1)	34.3
Non-operating revenues (expenses)	(4.8)	(2.8)	(2.0)
Capital contributions & transfers	-	0.9	(0.9)
Change in Net Position	3.4	(28.0)	31.4
Total Net Position, Beginning of Year	(176.6)	(148.6)	(28.0)
Total Net Position, End of Year	$ (173.2)	$ (176.6)	$ 3.4
Net investment in capital assets	$ -	$ -	$ -
Restricted Net Position	$ -	$ -	$ -
Unrestricted Net Position	$ (173.2)	$ (176.6)	$ 3.4

Operating revenues dropped by $13.3 million in 2013 primarily due to changes in employee and retiree health insurance including modifications to the City's self-funded medical plan, offering employees a less expensive Kaiser Plan and decline in health plan enrollment, which was a result of reduced City contributions toward the cost of the health premium. Correspondingly, operating expenses decreased by $47.6 million mainly due to the previously mentioned changes to health insurance plans. The reduction in health insurance expenses was offset by an increase in CalPERS retirement benefit costs. These changes resulted in overall operating income for the year of $8.2 million. Non-operating expenses increased by $2.0 million.

The $173.2 million of insurance/pension-related deficit is classified as unrestricted and is comprised of General Liability deficit of $2.4 million, Workers' Compensation deficit of $37.2 million, Employee & Retiree Health Insurance deficit of $120.7 million and Retirement Benefits of $15.7 million. The significant portion of the deficit is driven from the unfunded liabilities in the retiree health benefits as these benefits were paid for on a pay as you go basis. In addition, the outstanding pension obligation bond asset that was contributed to CalPERS when the bond was issued now has a carrying amount that is less than the amount of the outstanding bond obligation and obligation to insurer of $131.3 million. This results from the City paying less than is actuarially required to contribute to fund current benefits due to declining payrolls and increasing discount rates at CalPERS. In 2013, the workers' compensation claims decreased and sufficient charges for services collected to generate operating income in the fund. The post-retirement employee health benefits liability is subject to negotiations and mediation under the chapter 9 bankruptcy proceeding. A tentative agreement has been reached with the retirees that

could result in an adjustment to the liabilities; however, the outcome is contingent on the bankruptcy proceedings. In addition, the City's contribution towards post-retirement health benefits is being phased out over a one year period beginning in fiscal year 2012-13 and will be completely eliminated in FY 2013-14.

Absent a plan to address the growing deficits in the insurance/benefit-related funds, these 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 net position in governmental activities of $82.4 million, the capacity to absorb these obligations will need to be evaluated.

Equipment-Related, Internal Service Fund

Equipment-related internal service funds have been combined below and include the Vehicle Fleet Equipment, Computer Equipment, Radio Equipment, and Other Equipment.

The *Vehicle Fleet Equipment Fund* accounts for the financing, operating and maintenance of vehicles and similar equipment provided to City departments on a cost reimbursement basis. The *Computer Equipment Fund* accounts for the financing, service and maintenance of all computer and related equipment provided to City departments on a cost reimbursement basis. The *Radio Equipment Fund* accounts for the financing, service and maintenance of radio equipment provided to City departments on a cost reimbursement basis. *Other Equipment Funds* accounts for the financing, operating and maintenance of other, comparatively smaller equipment funds provided to City departments on a cost reimbursement basis, which included telephone, other office, and printing and mailing equipment.

The total net position balance increased by $3.2 million from the prior year to total $21.8 million. At the end of the fiscal year, current assets exceed current liabilities by $12.7 million and noncurrent assets exceed noncurrent liabilities by $9.1 million. Cash and investment balances increased by $3.1 million from the prior year balances, to total $13.8 million.

Equipment-Related, Internal Service Fund Financial Analysis

($ in millions)

	2013	2012	Variance
Statements of Net Position			
Cash and investments	$ 13.8	$ 10.7	$ 3.1
Other current assets	0.2	0.2	-
Current liabilities	(1.3)	(1.5)	0.2
Net current assets (liabilities)	12.7	9.4	3.3
Noncurrent assets	11.6	10.9	0.7
Noncurrent liabilities	(2.5)	(1.7)	(0.8)
Net noncurrent assets (liabilities)	9.1	9.2	(0.1)
Total Net Position, End of Year	$ 21.8	$ 18.6	$ 3.2
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	$ 21.8	$ 20.4	$ 1.4
Operating expenses	(18.8)	(18.0)	(0.8)
Operating income (loss)	3.0	2.4	0.6
Non-operating revenues (expenses)	(0.1)	0.1	(0.2)
Capital contributions & transfers	0.3	1.6	(1.3)
Change in Net Position	3.2	4.1	(0.9)
Total Net Position, Beginning of Year	18.6	14.5	4.1
Total Net Position, End of Year	$ 21.8	$ 18.6	$ 3.2
Net investment in capital assets	$ 8.6	$ 9.5	$ (0.9)
Restricted Net Position	$ 13.2	$ 9.1	$ 4.1
Unrestricted Net Position	$ -	$ -	$ -

Operating revenues increased in 2013 by approximately $1.4 million due to replacement rate increases, which included the second year of funding for the Citywide Technology Strategic Plan, while operating expenses increased by $0.8 million. This resulted in an operating income of $3.0 million, an improvement of $0.6 million. Capital contributions and transfers decreased by $1.3 million as compared to prior year.

Components of the $21.8 million total net position include: net investment in capital assets, which decreased by $0.9 million to $8.6 million; and restricted net position, that increased by $4.1 million due to increased contribution rates for equipment and fleet replacement.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's proposed budget for the General Fund submitted to Council was out of balance by $26 million while the City worked through the confidential AB506 mediation process in an attempt to avoid bankruptcy and restructure financial obligations that would balance the fund. Not being able to reach an agreement with its creditors and obligated to present a balanced budget to continue to provide services beginning July 1, 2012, the City developed and presented for Council consideration the Pendency Plan. The Pendency Plan is the City's budget while it is under chapter 9 bankruptcy protection that provided for a $26 million proposed budget gap closure by making reductions to creditors, employees and retirees. This Plan was adopted by the City Council in June 2012.

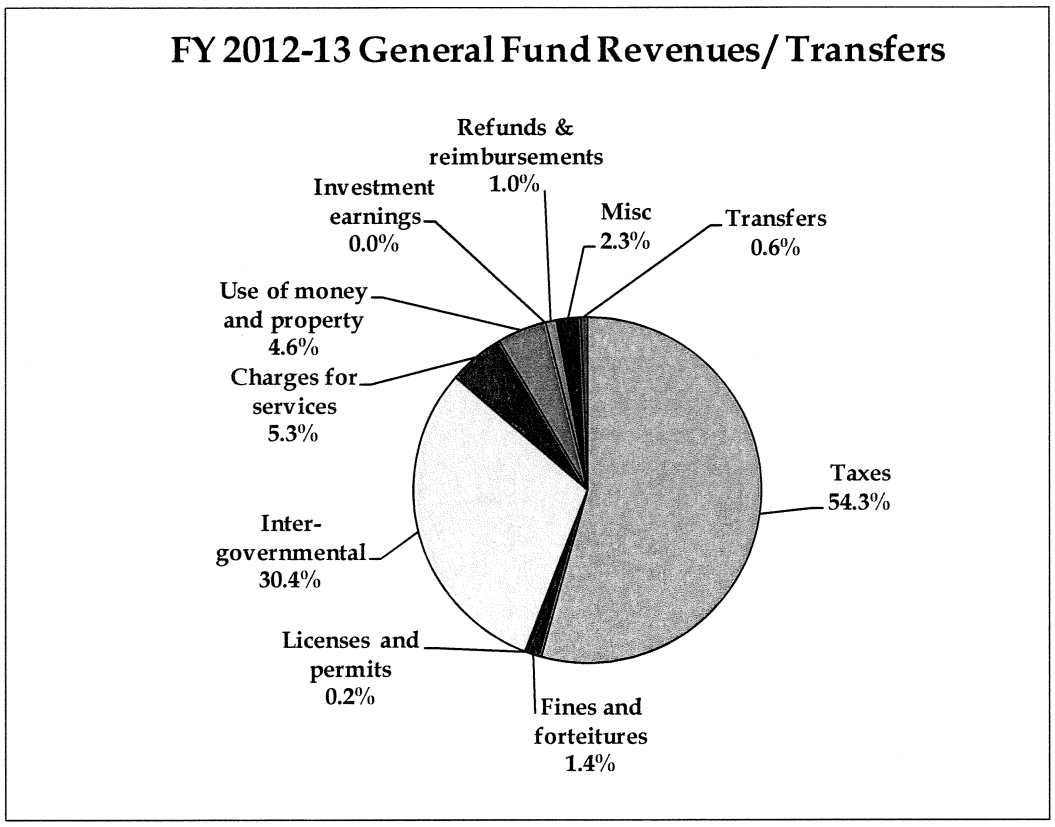
The General Fund's original budgeted revenue and transfers in were $168.3 million, which remained mostly unchanged during the year. Minor adjustments were made to taxes, intergovernmental, charges for services and use of money and property categories with net increase of $60 thousand. The original budgeted expenditures and transfers out of $168.1 million increased 2.7% to a final revised budget of $172.6 million due to an increase of $1.6 million in general government expenditures related to economic development activities and $2.7 million in budgeted transfers out and other category. The latter increase was mainly a result of unencumbered capital projects balance carryover from prior year.

The 2013 fiscal year-end total fund balance increased $16.7 million, to $31.3 million, as a result of cuts in the Pendency Plan. This additional increase is the result of reductions in expenditures including high vacancy levels in staffing, savings in labor litigation and chapter 9 expenditures and other savings in various City departments and expenditure categories. General Fund assigned fund balance ended the fiscal year with $14.9 million, or 11.5% of total expenditures for the fiscal year. This balance represents assignment for future appropriations and other operating needs as approved by the City Manager and City Council. The fiscal year 2013 General Fund unassigned fund balance is $3.1 million fully represented by the receipt of property tax administrative fee refund described earlier.

General Fund Revenues and Transfers

Of the $174.8 million in actual total 2013 General Fund revenues and transfers, $94.9 million or 54.3% were from taxes. Tax collections support citizen services such as for police and fire protection that cannot be provided in the private sector without a substantial subsidy. The tax category includes collections for property tax, utility user tax, franchise fees, business licenses, in lieu of sales tax, the hotel/motel transient occupancy tax, and other smaller tax revenue sources.

Taxes are followed by intergovernmental revenues as the second largest revenue source, amounting to $53.2 million, or 30.4% of the total. This category is comprised of motor vehicle in lieu registration fees, sales and use tax levied by the State of California, payments from San Joaquin County to support the City's operating costs of eight out of thirteen library branches located outside the City's boundaries, and grant funds from the federal and state governments. The third largest revenue source in fiscal 2013 was charges for services reported at $9.2 million or 5.3% of the total. These revenues are collected in exchange for specific services provided by the City.



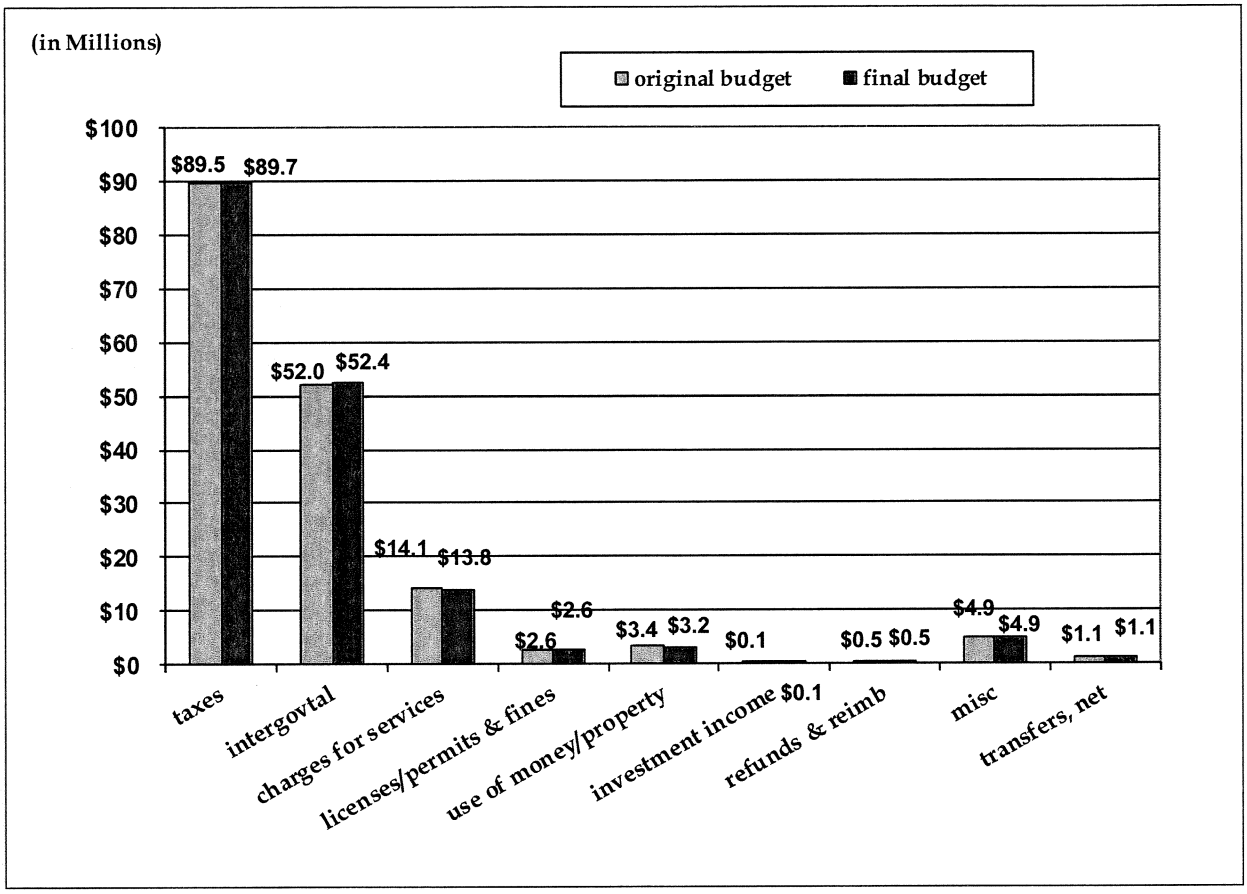
Collection of these revenues assists in defraying the costs of services, but cannot exceed the reasonable cost of the service. There was a $2.1 million decrease from fiscal 2012 primarily due to the receipt in prior year settlement payments from three fire districts contracting with the City for services. Of the total, the majority are revenues generated from the following areas and programs: $1.7 million from recreational services and programs, $3.3 million from mutual aid Fire Department services contractually provided to neighboring jurisdictions, $1.2 million in charges to City property owners related to code enforcement efforts and $1.8 million in other service charges by the Police Department.

The last primary source of General Fund revenue is from use of money and property amounting to $8.0 million in fiscal 2013 or 4.6% of total revenues and transfers in. The two primary sources in this category are revenues generated by the entertainment venue activities and rent paid to the General Fund from the Municipal Utilities funds for properties used by the utilities.

The remaining revenue categories are 5.5% of the total, and include licenses and permits, investment earnings, fines and forfeitures, refunds and reimbursements, and miscellaneous revenue.

The graph below illustrates the significant level of tax support for General Fund services, amounting to $89.7 million or 53.3% of the total final budgeted revenue and transfers estimate of $168.3 million.

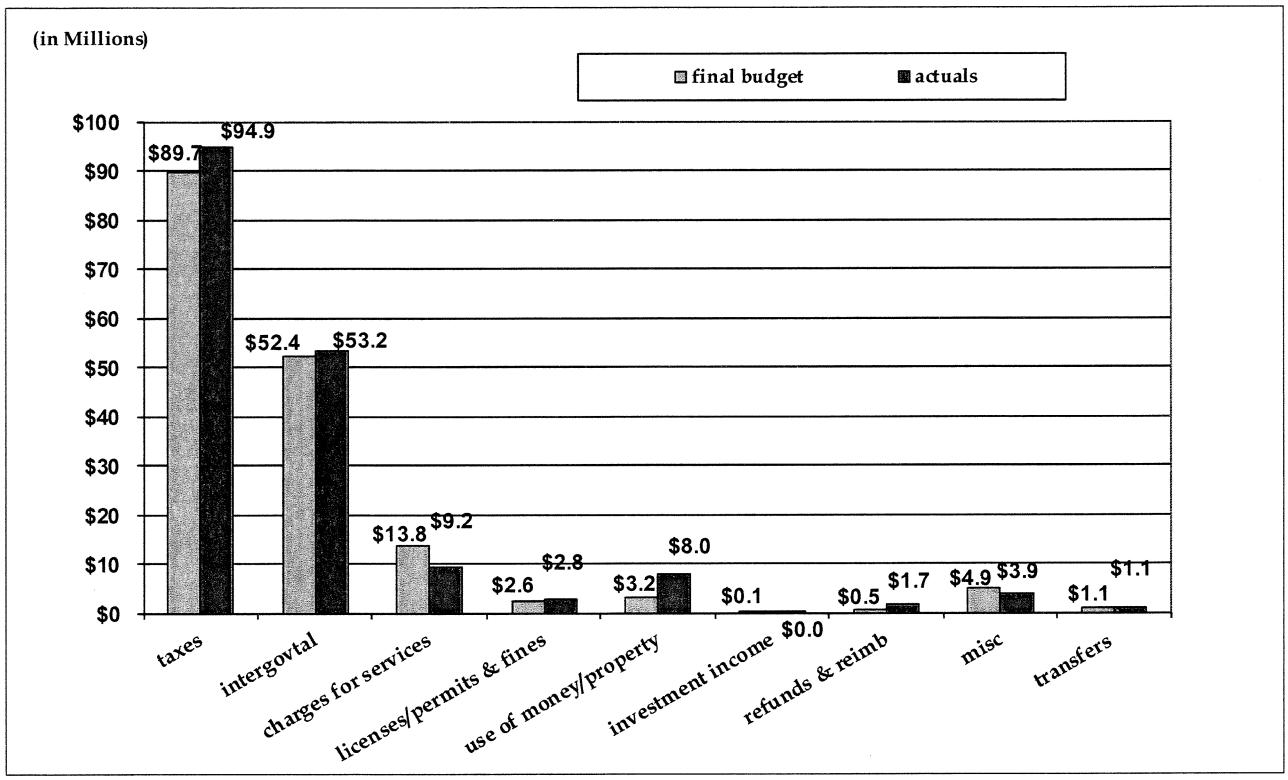
FY 2012-13 General Fund Original vs. Final Budget Revenues by Source Category



The following graph illustrates that during the year actual revenue collections and transfers of $174.8 million were $6.5 million above final budgetary estimates of $168.3 million. Key components of this 3.8% difference are as follow:

- Tax revenues came in $5.2 million above budget mainly from unexpected receipts of $3.1 million in refunds from the County for prior year over collections of the Property Tax Administration Fee. Other revenue categories that exceeded budgetary estimate include sales tax, utility user tax and franchise tax.
- A shortfall of approximately $4.6 million in charges for services due to entertainment venue revenues being recorded as use of money and property but budgeted as charges for services.
- Use of money and property revenues was greater than the budget because entertainment revenues were posted to this category rather than charges for services.
- Refunds and reimbursement revenues are greater than budget due to the booking a $0.6 million receivable for state mandated costs. An allowance for this receivable reduces total revenues in the miscellaneous revenue category. Police reimbursements exceeded budget as well as a result of several multi-agency enforcement missions and overtime hours reimbursements.

FY 2012-13 General Fund Final Budget vs. Actual Revenues by Source Category



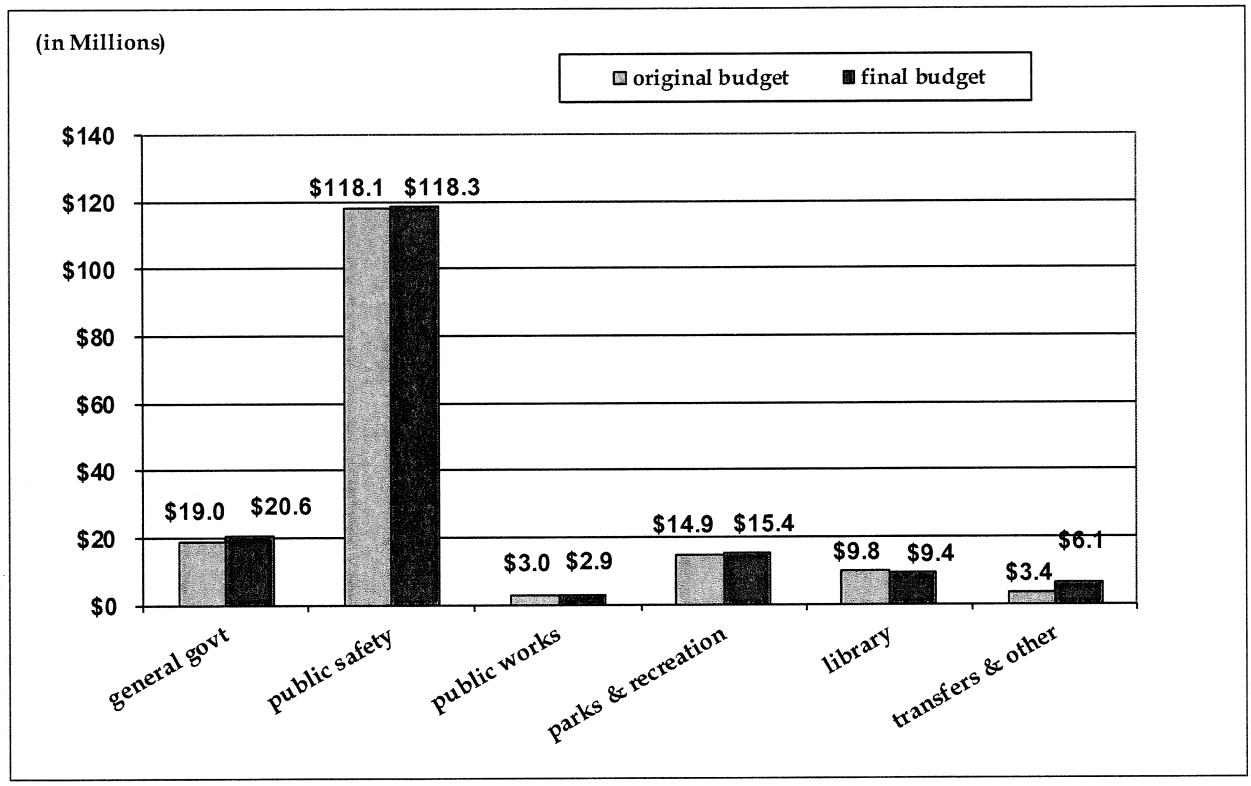
General Fund Expenditures and Transfers

Of the $158.1 million of actual expenditures and transfers out, on a budgetary basis, of the General Fund, $112.7 million, or 71%, were spent on public safety services. The second largest service category was parks and recreation at $15.1 million, or 10%, of the total. General government services were the third largest category at $15.0 million, or 9% of the total; followed by library services amounting to $8.8 million, 6% of the total. Transfers to other funds totaled $3.7 million or 2% of the total and lastly Public Works' operating expenditures are recorded at $2.8 million or 2% of the total, with the City's costs for road maintenance and repair, resurfacing and transportation-related infrastructure construction cost being recorded in other special revenue funds supported by state and federal subventions and specific grant programs.

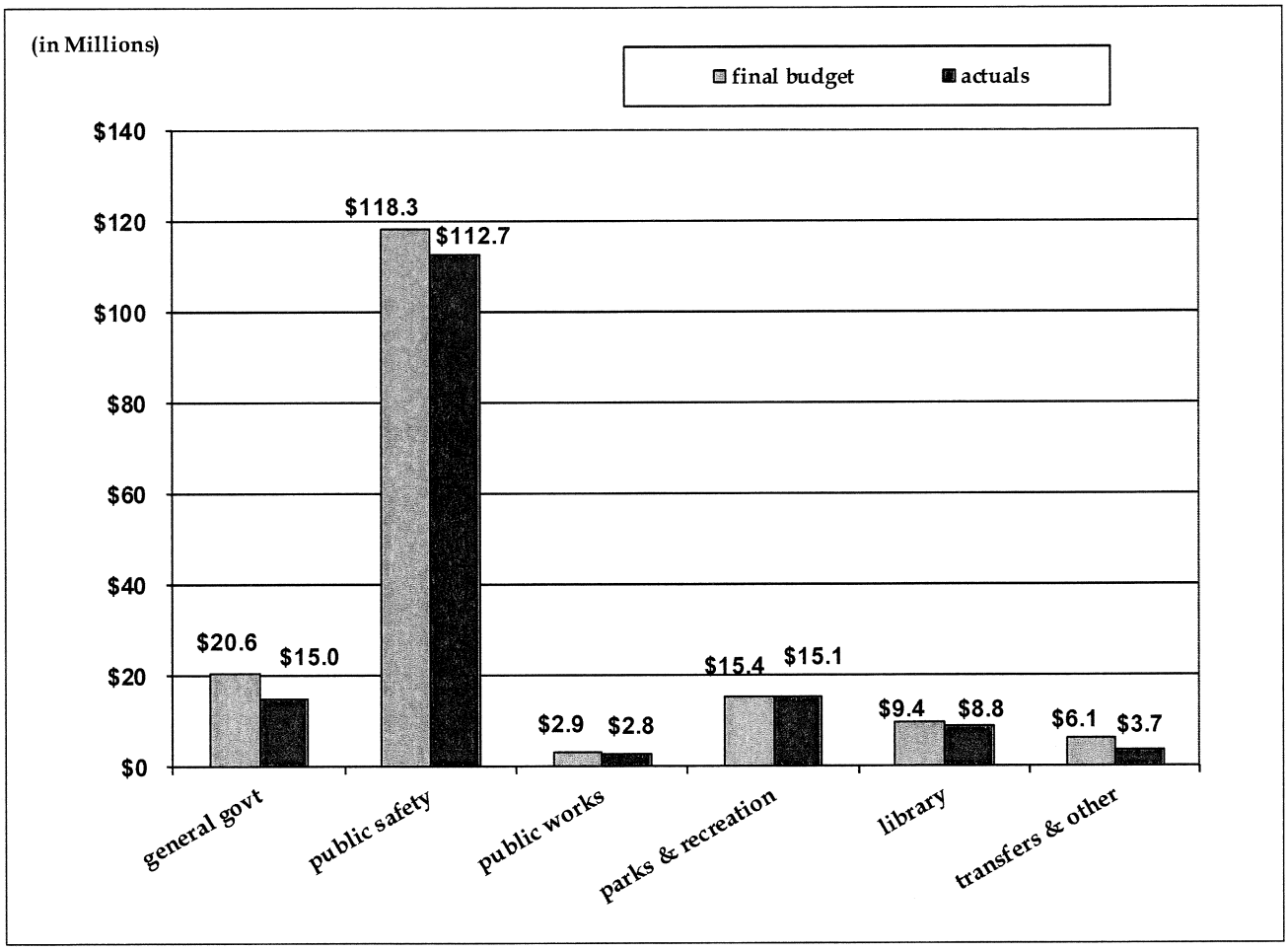
The General Fund ended the year with a total expenditures and transfers budget of $172.6 million, compared to the originally adopted budget of $168.1 million. Between the original and final budgets, Transfers and Other had a net increase of $2.7 million. Of this amount, $2.4 million in capital outlay appropriations not fully expended at the end of the prior fiscal year were re-appropriated and included in the final fiscal year 2013 budget per City Charter provisions. Transfers overall increased $0.3 million due to increase in Council approved capital projects and Golf Fund subsidies.

The graph below illustrates the changes from the original budget during the year. Significant commitment of the total final budget is allocated for public safety (police and fire), amounting to $118.3 million or 69% of the total final budget.

FY 2012-13 General Fund Original and Final Budget Expenditures by Services Program



FY 2012-13 General Fund Final Budget vs. Actual Expenditures by Services Program

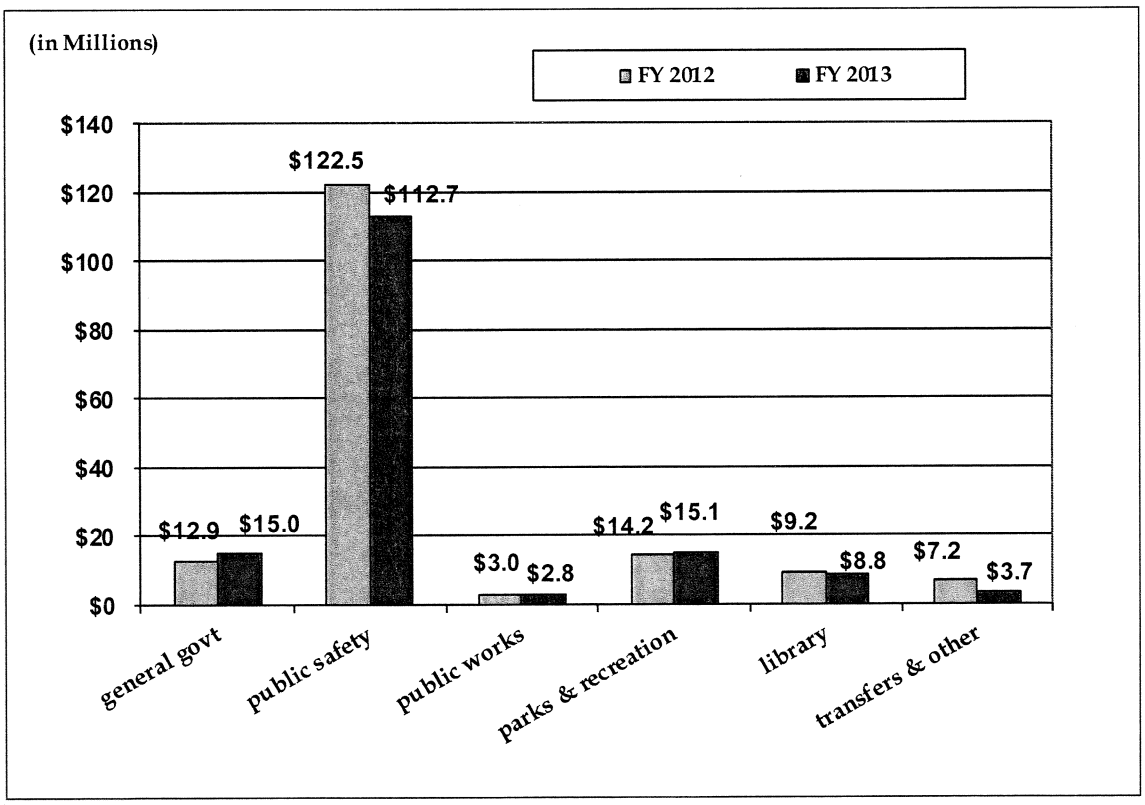


The below graph illustrates how General Fund actual expenditures are distributed amongst the six functional categories of the organization, with prior year actual expenditures as comparative data. Total expenditures, including transfers out, in fiscal year 2013 of $158.1 million were $11 million lower than the prior fiscal year. This reduction in spending is the consequence of concessions resulting from the implementation of the pendency plan aimed to balance the 2012-13 general fund budget while in bankruptcy protection. These reductions were offset with $2.9 million increase in bankruptcy costs. The pendency plan, which is the City's budget while in bankruptcy, reduced the originally proposed budget deficit of $26 million through continued cost reduction measures. These measures included the renegotiation of bargaining unit labor agreements, 62 hours of furlough for all City employees, and reduced City contributions to employee retirement and health insurance. Additional measures were recommended and adopted by Council that included reduction and subsequent elimination of the City's share of retiree health contributions and suspension of certain General Fund backed debt obligation payments.

Key components of significant changes are as follows:

- Public safety expenditures declined $9.8 million or 8.0%. In the police department this was due to labor cost reductions and the inability to fill Police Officer vacancies as the department continued to experience high attrition rates and difficulty in recruiting new officers as a result of imposed compensation reductions under the City's Pendency Plan. The Fire Department reduced expenses $7.3 million through renegotiated labor contracts with fire employee bargaining units and labor cost reductions under the Pendency Plan.
- General government increased by $2.1 million due to the legal costs incurred as the City moved forward with filing for bankruptcy protection, which is an expensive litigation process.
- Parks and recreation increased by $0.9 million due to increased cost in the Entertainment Venues operations.
- The Transfers and Other expenditure category decreased $3.5 million with the suspension of certain General Fund backed debt obligation payments that occurred as a result of the Pendency Plan and City's filing for chapter 9 protection, reduction of contributions to capital program and Marina enterprise fund, and elimination of one-time contributions to equipment replacement offset with increased subsidies to development services programs.

General Fund Actual Expenditures by Services Program - FY 2011-12 vs. FY 2012-13



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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of depreciation expense, for its governmental and business-type activities as of June 30, 2013 amounts to $1.6 billion. This investment in capital assets includes land and easements, buildings and improvements, water and sewer systems, machinery and equipment, park facilities, roads, streets, and bridges. The total increase in the City's capital assets for the fiscal year was $15.0 million or 1%. Governmental activities increased $28.1 million or 0.4% and business-type activities decreased $13.1 million or 2%, as shown in the following table.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$45,344	$44,769	$15,607	$15,607	$60,951	$60,376
Intangible Assets	4,310	3,435	750	750	5,060	$4,185
Building and Improvements	252,624	260,108	730,567	742,917	983,191	1,003,025
Machinery and Equipment	15,127	15,017	2,920	2,979	18,047	17,996
Infrastructure	326,853	334,261	-	-	326,853	334,261
Construction in Progress	172,015	130,553	20,272	20,955	192,287	151,508
Total	$816,273	$788,143	$770,116	$783,208	$1,586,389	$1,571,351

Construction in progress increased by $40.8 million, or 26.9%, of which governmental activities were up $41.5 million and business-type activities went down by $0.7 million. The current year governmental activities construction in progress included Arch/Sperry Road Extension, French Camp/Sperry Road/Performance Road extension, Lower Sacramento road widening/UPRR, Eight Mile Road/UPRR West and East Grade Separation projects.

Land increased by $0.6 million. Building and Improvements decreased $19.8 million in fiscal year 2013 due to annual depreciation of $29.7 million offset by developer contributions and completed capital projects of $9.9 million. Machinery and equipment increased by less than $0.1 million. Infrastructure decreased overall by $7.4 million due to $4.1 million additions from developer contribution and completed street improvements offset by annual depreciation.

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

Long-term debt

At the end of the fiscal year, the City's total outstanding net bonded debt is $587.8 million. Of this amount, $216.1 million ($233.1 million including amounts owed to bond insurers) is related to governmental activities and $371.7 million ($372.3 million including amounts owed to bond insurers) are debt obligations of business-type activities.

Governmental activities net bonded indebtedness decreased by $7.3 million due to scheduled principal payments and amortization of deferred charges.

Business-type activities net bonded indebtedness decreased by $6.9 million due to scheduled principal payments and amortization of deferred charges.

Governmental outstanding net bonded debt of $216.1 million includes $11.0 million ($11.1 million if including amounts owed to bond insurer) of lease revenue bonds for the City's Stewart/Eberhardt Building/Parking Structure (SEB), $34.7 million ($43.6 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), $12.6 million of certificates of participation for various former redevelopment housing projects, $123.4 million ($131.3 million if including amounts owed to bond insurer) of pension obligation bonds, and $34.4 million in lease revenue bonds for various capital projects facilities expended from the Public Facility Impact Fees Fund.

Successor Agency bonded debt in the amount of $125.1 million is reported separately in a Private Purpose Trust Fund. The balance outstanding at June 30, 2013 includes $45.1 million of revenue bonds for the Stockton Events Center-Arena and $80.0 million of revenue bonds for various former redevelopment and housing projects referred to as the Strong Neighborhoods Initiative (SNI).

Business-type activities outstanding net bonded debt obligations of $371.7 million includes $258.9 million of revenue bonds of the Water Utility, $81.6 million in certificates of participation for the Wastewater Utility, and $31.2 million ($31.8 million if including amounts owed to bond insurer) in lease revenue bonds in the Central Parking District.

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

Currently Known Facts, Decisions or Conditions

The following items are currently known facts, decisions or conditions that management were aware of as of the date of the auditor's report and/or were considered in preparing the City's budget for the 2013-14 fiscal year.

- Several City creditors challenged the City's eligibility to be a Chapter 9 debtor shortly after the City filed for bankruptcy. After a nearly nine month discovery and mediation process and a three day trial, the United States Bankruptcy Court Judge on April 1, 2013 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, one bond insurer and its retirees. The City has continued to mediate with the remaining creditors since the eligibility trial with the court appointed mediator. Tentative

agreements have been reached with the majority of the City's major creditors and have been incorporated into the proposed plan of adjustment, which was filed October 10, 2013, as amended November 15, 2013, with the United States Bankruptcy Court. Since the filing of the plan of adjustment, one creditor has filed a challenge to the plan of adjustment. Though the outcome of the bankruptcy and any challenges the City may receive is uncertain, management is continuing to proceed towards confirmation of the plan of adjustment with its creditors. A status conference was held November 18, 2013 allowing the City to submit the Plan to a vote of its creditors. The City's Plan is scheduled for trial in May 2014.

- In connection with the City's filing for bankruptcy protection under Chapter 9, the City adopted a pendency plan budget for fiscal year 2012-13 which included several measures and cost reductions to close a $26.0 million shortfall to balance the budget. Of these reductions, the City, effective July 1, 2012, reduced its contribution towards the cost of retiree medical for current and future retirees to a fixed dollar amount depending upon years of service to the city and retirement status. This resulted in approximately $7.7 million in total annual budget savings for the City's general fund. Effective July 1, 2013, the City completely eliminated its contribution for all retiree medical benefits for current retirees and employees. This is anticipated to result in an additional increase in total annual budget savings from $7.7 to $9.5 million. The City's retirees are creditors in the bankruptcy case and have been in mediation with the City. A tentative settlement of the retirees' claims in the amount of $5.1 million has been negotiated and approved but is subject to bankruptcy court approval.

- The City has undergone multiple bond rating downgrades during the fiscal year as discussed further in the notes to the financial statements. These downgrades have been to both Governmental Activities outstanding debt, as well as Water and Wastewater outstanding debt. The credit rating agency cited the City's narrow financial position, its inability to produce timely financial information, the City's unwillingness to pay as evidenced by defaults in debt payments after year end, and economically challenged tax base as the reason for its bond rating changes. After the close of fiscal year 2013, the City has continued to operate under the bankruptcy protection and its governmental activities debt has undergone three additional bond rating downgrades.

- The City issued $55.0 million in Series 2010A Revenue Bonds in November 2013. These bonds were remarketed to fixed interest rates from variable rates in order to cancel the letter of credit that was due to expire and to reduce overall risk to the Water Utility System cash flow. Undertaking this transaction has improved the bond ratings of the Water and Wastewater debt as the rating agencies more closely evaluated the City, its bankruptcy impacts to those funds, and the firewall that the City had established between its restricted and unrestricted funds. In addition, as evidenced in this report the operations of the Water fund are improving as it is implementing the Proposition 218 Rate Study increases.

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.

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CITY OF STOCKTON

BASIC FINANCIAL STATEMENTS

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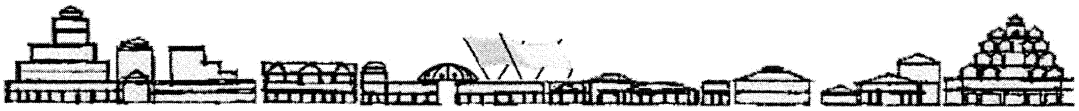
CITY OF STOCKTON



GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF STOCKTON
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	$ 127,527,301	$ 69,991,162	$ 197,518,463
Restricted cash and investments	3,453,033	56,588,565	60,041,598
Interest receivable	621,602	9,741	631,343
Accounts receivable, net	15,906,385	12,333,906	28,240,291
Internal balances	1,894,684	(1,894,684)	-
Due from other governments, net	37,598,920	1,435,589	39,034,509
Inventory of supplies	409,199	1,538,872	1,948,071
Other assets	1,679,523	49,599	1,729,122
Loans to Successor Agency, net	2,495,331	-	2,495,331
Loans to property owners, net	120,509,306	-	120,509,306
Deferred charges	2,939,493	4,181,868	7,121,361
Net pension asset	113,588,317	-	113,588,317
Capital assets:			
Nondepreciable	221,668,090	36,629,665	258,297,755
Depreciable, net	594,604,642	733,485,978	1,328,090,620
Total assets	1,244,895,826	914,350,261	2,159,246,087
LIABILITIES			
Accounts payable and accrued expenses	15,635,649	8,012,799	23,648,448
Accrued payroll and benefits	3,044,058	-	3,044,058
Accrued interest	5,298,266	6,468,737	11,767,003
Deposits and other liabilities	2,349,686	1,640,438	3,990,124
Unearned revenue	2,815,372	-	2,815,372
Settlement payable	18,793,311	-	18,793,311
Long-term liabilities:			
Due within one year	49,223,246	8,923,861	58,147,107
Due in more than one year	285,085,653	375,454,402	660,540,055
Net OPEB obligation	125,670,518	-	125,670,518
Total liabilities	507,915,759	400,500,237	908,415,996
NET POSITION			
Net investment in capital assets	725,426,494	418,880,914	1,144,307,408
Restricted for:			
Capital projects	40,642,925	24,314,558	64,957,483
Debt service	2,553,429	-	2,553,429
Loan programs	9,400,236	-	9,400,236
Low and moderate-income housing	3,049,135	-	3,049,135
Public safety	3,192,691	-	3,192,691
Street improvements	7,092,202	-	7,092,202
Special maintenance districts	12,850,335	-	12,850,335
Fleet and equipment replacement	12,531,129	-	12,531,129
Endowments:			
Nonexpendable	304,314	-	304,314
Expendable	234,482	-	234,482
Other purposes	2,053,999	-	2,053,999
Unrestricted (deficit)	(82,351,304)	70,654,552	(11,696,752)
Total net position	$ 736,980,067	$ 513,850,024	$ 1,250,830,091

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CITY OF STOCKTON
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ 24,909,513	$ 17,977,202	$ 2,309,193	$ -
Public safety	108,930,835	18,129,530	4,475,017	-
Public works	49,258,889	6,135,824	11,847,923	57,146,323
Library	8,445,270	669,598	5,171,813	-
Parks and recreation	19,735,693	6,596,505	22,643	-
Interest and fiscal charges	14,614,599	-	-	-
Total governmental activities	225,894,799	49,508,659	23,826,589	57,146,323
Business-type activities:				
Water utility	48,570,376	37,463,882	4,175,006	3,490,016
Wastewater utility	51,166,333	55,368,874	-	1,026,826
Stormwater utility	5,959,372	5,502,720	-	183,465
Central parking district	4,943,628	2,668,869	-	-
Other	2,939,174	1,934,772	-	-
Total business-type activities	113,578,883	102,939,117	4,175,006	4,700,307
Total	$ 339,473,682	$ 152,447,776	$ 28,001,595	$ 61,846,630

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 position, beginning of year

Net position, end of year

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

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Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (4,623,118)		$ (4,623,118)
(86,326,288)		(86,326,288)
25,871,181		25,871,181
(2,603,859)		(2,603,859)
(13,116,545)		(13,116,545)
(14,614,599)		(14,614,599)
(95,413,228)		(95,413,228)
	$ (3,441,472)	(3,441,472)
	5,229,367	5,229,367
	(273,187)	(273,187)
	(2,274,759)	(2,274,759)
	(1,004,402)	(1,004,402)
	(1,764,453)	(1,764,453)
(95,413,228)	(1,764,453)	(97,177,681)
29,419,524	-	29,419,524
9,937,924	-	9,937,924
31,940,732	-	31,940,732
9,085,896	-	9,085,896
11,676,524	-	11,676,524
10,152,760	-	10,152,760
2,005,668	-	2,005,668
458,431	-	458,431
287,312	1,196,816	1,484,128
17,433,073	-	17,433,073
34,031,378	-	34,031,378
400,230	-	400,230
123,108	529,882	652,990
2,411,233	13,503	2,424,736
(544)	-	(544)
523,659	(523,659)	-
159,886,908	1,216,542	161,103,450
64,473,680	(547,911)	63,925,769
672,506,387	514,397,935	1,186,904,322
$ 736,980,067	$ 513,850,024	$ 1,250,830,091

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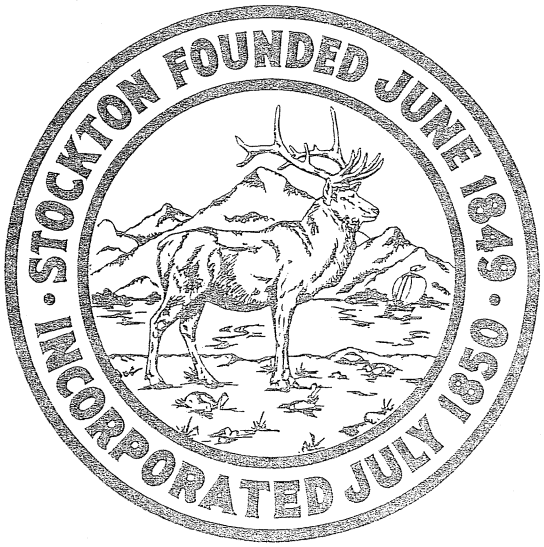

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CITY OF STOCKTON

FUND FINANCIAL STATEMENTS

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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.

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CITY OF STOCKTON
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds		
		Special Revenue	
	General Fund	Home Program Loans	Low-Moderate Income Housing City Loans
ASSETS			
Cash and investments	$ 27,006,543	$ 282,590	$ 52,798
Cash and investments with fiscal agents	-	-	-
Receivables, net:			
Interest	620,388	-	-
Accounts and other receivables	13,126,389	3,481	1,106
Advance deposits	-	-	-
Due from other governments, net	5,754,491	51,538	-
Inventory of supplies	409,199	-	-
Prepaid expenses	-	-	-
Loans to other funds, net	-	-	-
Loans to Successor Agency	-	-	2,995,331
Loans to property owners, net	-	35,425,779	54,531,263
Total assets	$ 46,917,010	$ 35,763,388	$ 57,580,498
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 3,576,531	$ -	$ 100
Accrued payroll and benefits	3,044,058	-	-
Due to other funds	-	-	-
Due to other governments	661,418	-	-
Due to other agencies	278,266	-	-
Deposits and other liabilities	813,205	-	-
Deferred revenue	7,221,956	35,425,779	54,531,263
Settlement payable	-	-	-
Total liabilities	15,595,434	35,425,779	54,531,363
FUND BALANCES (DEFICIT):			
Nonspendable	409,199	-	
Restricted	2,234,046	337,609	3,049,135
Committed	7,566,836	-	
Assigned	18,018,067	-	
Unassigned (deficit)	3,093,428	-	
Total fund balances	31,321,576	337,609	3,049,135
Total liabilities and fund balances	$ 46,917,010	$ 35,763,388	$ 57,580,498

Major Fund Capital Projects		
Capital Improvement	Other Governmental	Total Governmental Funds
$ -	$ 60,548,026	$ 87,889,957
-	3,424,883	3,424,883
-	1,214	621,602
15,416	1,677,242	14,823,634
225,300	-	225,300
17,327,182	14,465,709	37,598,920
-	-	409,199
-	64,931	64,931
-	1,275,218	1,275,218
-	-	2,995,331
-	30,552,264	120,509,306
$ 17,567,898	$ 112,009,487	$ 269,838,281
$ 9,563,391	$ 1,617,208	$ 14,757,230
-	-	3,044,058
4,797,537	2,399,285	7,196,822
29,652	168,345	859,415
-	-	278,266
-	349,696	1,162,901
813,416	31,948,609	129,941,023
-	18,793,311	18,793,311
15,203,996	55,276,454	176,033,026
-	369,245	778,444
2,363,902	75,157,099	83,141,791
-	-	7,566,836
-	-	18,018,067
-	(18,793,311)	(15,699,883)
2,363,902	56,733,033	93,805,255
$ 17,567,898	$ 112,009,487	$ 269,838,281

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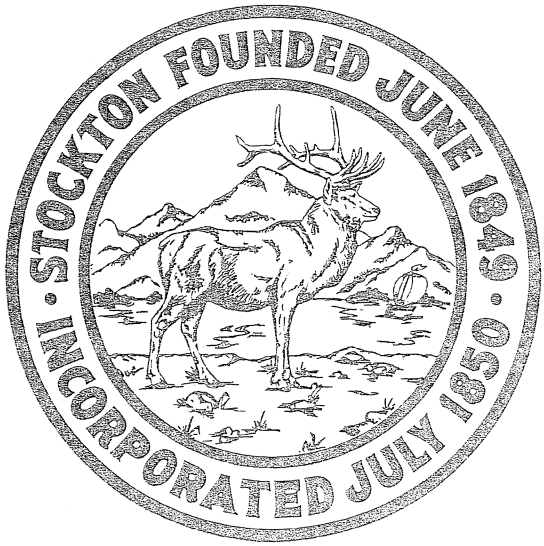

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CITY OF STOCKTON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Total Governmental Funds	$ 93,805,255
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	221,668,090
Depreciable (net of accumulated depreciation, and net of $11,594,621 reported in the Internal Service Funds)	583,010,021
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.	(151,383,270)
Various long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:	
Compensated absences	(10,377,022)
Bonds payable and other long-term debt	(126,910,096)
Unamortized bond premiums and deferred amount on refunding	1,381,273
Accrued interest payable (net of $2,305,490 is reported in the Internal Service Fun	(2,992,776)
Deferred inflows and outflows of resources are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds:	
Deferred revenue	127,125,651
Deferred charges (net of $1,286,552 reported in the Internal Service Funds)	1,652,941
Net position of governmental activities	$ 736,980,067

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CITY OF STOCKTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds		
		Special Revenue	
	General Fund	Home Program Loans	Low-Moderate Income Housing City Loans
REVENUES:			
Taxes:			
Property	$ 29,419,524	$ -	$ -
In lieu of sales tax	9,937,924	-	-
Utility user	31,940,732	-	-
Sales - levied by City	-	-	-
Franchise fees	11,676,524	-	-
Business license	9,168,078	-	-
Hotel/motel room	2,005,668	-	-
Document transfer	458,431	-	-
Other	287,312	-	-
Licenses and permits	384,273	-	-
Intergovernmental:			
Federal grants and subsidies	2,868	3,371,064	-
Sales and use tax - levied by state	29,981,596	-	-
Other governmental	23,196,781	-	-
Charges for services	9,193,132	-	-
Fines and forfeitures	2,393,353	-	-
Use of money and property	7,966,971	829,040	230,564
Investment income:			
Interest income	1,103	8,749	(1,641)
Refunds and reimbursements	1,748,398	-	-
Miscellaneous	3,936,699	-	206,644
Total revenues	173,699,367	4,208,853	435,567
EXPENDITURES:			
Current:			
General government	15,002,935	-	
Public safety	112,733,094	-	
Public works	2,771,451	-	
Library	8,831,292	-	
Parks and recreation	15,086,783	-	
Capital outlay	280,612	4,727,379	211,508
Debt service:			
Principal retirement	-	-	
Interest and fiscal charges	-	-	
Total expenditures	154,706,167	4,727,379	211,508
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,993,200	(518,526)	224,059
OTHER FINANCING SOURCES (USES):			
Transfers in	1,071,307	-	-
Transfers out	(3,379,678)	-	(230,820)
Bond insurers proceeds	-	-	
Total other financing sources (uses)	(2,308,371)	-	(230,820)
NET CHANGE IN FUND BALANCES	16,684,829	(518,526)	(6,761)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	14,636,747	856,135	3,055,896
FUND BALANCES, END OF YEAR	$ 31,321,576	$ 337,609	$ 3,049,135

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Major Fund Capital Projects		
Capital Improvement	Other Governmental	Total Governmental Funds
$ -	$ -	$ 29,419,524
-	-	9,937,924
-	-	31,940,732
-	9,085,896	9,085,896
-	-	11,676,524
-	984,682	10,152,760
-	-	2,005,668
-	-	458,431
-	-	287,312
-	3,311,817	3,696,090
9,908,603	9,875,517	23,158,052
-	4,049,782	34,031,378
20,741,974	27,807,514	71,746,269
-	9,866,195	19,059,327
-	26,091	2,419,444
628	4,739,953	13,767,156
2,758	108,456	119,425
500	65,261	1,814,159
234,124	2,564,214	6,941,681
30,888,587	72,485,378	281,717,752
-	8,242,140	23,245,075
-	12,598,402	125,331,496
-	10,726,305	13,497,756
-	207,415	9,038,707
-	2,646,233	17,733,016
55,819,687	11,529,067	72,568,253
168,401	8,844,878	9,013,279
80,378	5,877,035	5,957,413
56,068,466	60,671,475	276,384,995
(25,179,879)	11,813,903	5,332,757
25,297,655	4,308,997	30,677,959
(628)	(26,748,813)	(30,359,939)
-	8,286,963	8,286,963
25,297,027	(14,152,853)	8,604,983
117,148	(2,338,950)	13,937,740
2,246,754	59,071,983	79,867,515
$ 2,363,902	$ 56,733,033	$ 93,805,255

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CITY OF STOCKTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds:	$ 13,937,740
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. As donated capital assets don't create or use financial resources, they are not reported in governmental funds. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. Capital outlays, donated capital assets, capital asset disposals and depreciation expense are as follows:	
Capitalized capital outlays	51,654,392
Donated capital assets	1,262,172
Capital asset disposals, net	(4,789,823)
Depreciation expense (net of $2,387,652 reported in Internal Service funds)	(20,642,030)
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	(8,286,963)
Accrued interest on bond insurers proceeds	(299,840)
State animal control obligation	210,802
Repayment of principal	9,013,279
Costs of issuance	
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.	6,656,170
Revenues in the statement of activities previously recognized as revenue for amounts that were deferred in the governmental funds, as amounts did not represent current financial resources.	7,423,132
Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.	
Change in compensated absences	9,589,981
Amortization of bond discounts and premiums, costs of issuance, and deferred amount on refunding	(133,961)
Change in accrued interest	(1,121,371)
Change in net position of governmental activities	$ 64,473,680

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

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CITY OF STOCKTON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2013

	Major Funds		
	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
ASSETS			
Current assets:			
Cash and investments	$ 39,219,806	$ 24,923,625	$ 3,510,421
Receivables, net:			
Interest	9,720	12	-
Accounts and other receivables	5,919,282	5,695,389	597,419
Advance Deposit	-	-	-
Due from other funds	-	-	-
Due from other governments, net	1,435,589	-	-
Inventory of supplies	-	1,495,287	-
Deposits and advances	-	-	-
Prepaid expenses	-	32,100	-
Total current assets	46,584,397	32,146,413	4,107,840
Noncurrent assets:			
Restricted assets:			
Cash and investments	7,701,524	16,613,034	-
Cash and investments with fiscal agents	31,954,847	188,370	-
Loans to other funds, net	-	-	-
Deferred charges	2,755,167	763,720	-
Pension asset	-	-	-
Capital assets, net:			
Nondepreciable	10,188,913	17,791,296	461,471
Depreciable, net	331,672,590	299,399,989	50,110,220
Total noncurrent assets	384,273,041	334,756,409	50,571,691
Total assets	430,857,438	366,902,822	54,679,531
LIABILITIES			
Current liabilities:			
Accounts payable	4,408,341	2,725,885	140,168
Due to other governments	461,079	-	-
Deposits and other liabilities	1,331,235	-	10,000
Accrued interest	3,580,015	1,406,558	-
Capital lease obligation	-	-	-
Compensated absences - current	138,548	438,668	15,906
Self-insurance claims and judgments - current	-	-	-
Other long-term debt - current	3,952,645	2,950,482	-
Total current liabilities	13,871,863	7,521,593	166,074
Noncurrent liabilities:			
Loans from other funds, net	-	-	-
Compensated absences - long-term	61,995	199,903	4,184
Self-insurance claims and judgments - long-term	-	-	-
Capital lease obligations	-	-	-
Notes payable	252,271	-	-
Certificates of participation	-	78,634,887	-
Bonds payable	255,018,448	-	-
Net OPEB obligation	-	-	-
Total noncurrent liabilities	255,332,714	78,834,790	4,184
Total liabilities	269,204,577	86,356,383	170,258
NET POSITION			
Net investment in capital assets	114,592,986	235,794,286	50,571,691
Restricted for capital projects	7,701,524	16,613,034	-
Restricted for debt service	-	-	-
Restricted for equipment replacement	-	-	-
Unrestricted (deficit)	39,358,351	28,139,119	3,937,582
Total net position	$ 161,652,861	$ 280,546,439	$ 54,509,273

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Major Fund	Enterprise			Governmental Activities
Central Parking District	Other Nonmajor Enterprise	Totals		Internal Service
$ 1,866,597	$ 470,713	$ 69,991,162		$ 39,637,344
9	-	9,741		-
105,853	15,963	12,333,906		1,082,751
-	-	-		1,159,000
-	-	-		7,196,822
-	-	1,435,589		-
-	43,585	1,538,872		-
-	-	-		111,668
-	17,499	49,599		118,624
1,972,459	547,760	85,358,869		49,306,209
-	-	24,314,558		-
130,790	-	32,274,007		28,150
-	-	-		619,466
662,981	-	4,181,868		1,286,552
-	-	-		113,588,317
7,828,180	359,805	36,629,665		-
25,971,071	26,332,108	733,485,978		11,594,621
34,593,022	26,691,913	830,886,076		127,117,106
36,565,481	27,239,673	916,244,945		176,423,315
124,404	120,754	7,519,552		878,419
-	32,168	493,247		-
187,189	112,014	1,640,438		49,104
530,972	951,192	6,468,737		2,305,490
-	-	-		538,627
7,719	-	600,841		281,816
-	-	-		14,476,729
1,007,580	412,313	8,323,020		9,574,653
1,857,864	1,628,441	25,045,835		28,104,838
1,894,684	-	1,894,684		500,000
2,604	-	268,686		127,171
-	-	-		49,209,109
-	-	-		2,424,949
-	10,458,508	10,710,779		-
-	-	78,634,887		-
30,821,602	-	285,840,050		121,770,000
-	-	-		125,670,518
32,718,890	10,458,508	377,349,086		299,701,747
34,576,754	12,086,949	402,394,921		327,806,585
2,100,859	15,821,092	418,880,914		9,238,667
-	-	24,314,558		-
-	-	-		28,150
-	-	-		12,531,129
(112,132)	(668,368)	70,654,552		(173,181,216)
$ 1,988,727	$ 15,152,724	$ 513,850,024		$ (151,383,270)

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CITY OF STOCKTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds		
	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
OPERATING REVENUES:			
Charges for services	$ 36,698,615	$ 54,348,711	$ 5,366,793
Miscellaneous	765,267	1,020,163	135,927
Total operating revenues	37,463,882	55,368,874	5,502,720
OPERATING EXPENSES:			
Operation and maintenance	12,492,250	26,444,690	1,559,174
General and administrative	3,946,463	8,977,848	2,505,982
Depreciation and amortization	7,417,220	11,249,429	1,586,100
Purchased water	7,887,945	-	-
Total operating expenses	31,743,878	46,671,967	5,651,256
OPERATING INCOME (LOSS)	5,720,004	8,696,907	(148,536)
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Grants and subsidies	4,381,968	-	-
Investment income:			
Interest income	509,379	27,063	1,026
Gain (loss) from disposal of capital assets	-	-	-
Interest expense and fiscal charges	(16,826,498)	(4,494,366)	(308,116)
Other non-operating revenues	5,293	8,210	-
Total non-operating revenues (expenses)	(11,929,858)	(4,459,093)	(307,090)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(6,209,854)	4,237,814	(455,626)
Capital contributions	2,627,529	919,807	-
Developer Contributions	655,525	107,019	183,465
Transfers in	-	-	-
Transfers out	(59,942)	(145,697)	(31,036)
CHANGE IN NET POSITION	(2,986,742)	5,118,943	(303,197)
NET POSITION, BEGINNING OF YEAR	164,639,603	275,427,496	54,812,470
NET POSITION, END OF YEAR	$ 161,652,861	$ 280,546,439	$ 54,509,273

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Major Fund	Enterprise			Governmental Activities
Central Parking District	Other Nonmajor Enterprise	Totals		Internal Service
$ 2,665,828	$ 1,207,660	$ 100,287,607		$ 97,088,555
3,041	727,112	2,651,510		-
2,668,869	1,934,772	102,939,117		97,088,555
2,201,840	2,514,396	45,212,350		78,047,218
369,440	-	15,799,733		5,322,186
775,847	605,744	21,634,340		2,441,822
-	-	7,887,945		-
3,347,127	3,120,140	90,534,368		85,811,226
(678,258)	(1,185,368)	12,404,749		11,277,329
1,196,816	-	1,196,816		-
-	-	4,381,968		351,715
335	(7,921)	529,882		3,683
-	-	-		(544)
(1,596,501)	180,966	(23,044,515)		(7,102,014)
-	-	13,503		1,861,614
(399,350)	173,045	(16,922,346)		(4,885,546)
(1,077,608)	(1,012,323)	(4,517,597)		6,391,783
-	-	3,547,336		58,748
-	-	946,009		-
-	549,299	549,299		205,639
(835,865)	(418)	(1,072,958)		-
(1,913,473)	(463,442)	(547,911)		6,656,170
3,902,200	15,616,166	514,397,935		(158,039,440)
$ 1,988,727	$ 15,152,724	$ 513,850,024		$ (151,383,270)

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CITY OF STOCKTON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds		
	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 36,746,267	$ 54,519,321	$ 5,823,229
Receipts for interfund services provided	-	-	-
Payments to suppliers	(14,555,926)	(20,504,489)	(2,541,790)
Payments to employees	(6,893,742)	(14,948,722)	(1,608,396)
Net cash provided by (used for) operating activities	15,296,599	19,066,110	1,673,043
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	-
Transfers out	-	-	(31,036)
Receipt of cash subsidies and federal grants	6,500,727	-	-
Interest on settlement	-	-	(308,116)
Principal paid on pension obligation debt	-	-	-
Interest paid on pension obligation debt	-	-	-
Due from other funds	-	-	-
Advances to other funds	-	-	-
Advances received from other funds	-	-	-
Proceeds from taxes	-	-	-
Net cash provided by (used for) noncapital financing activitie	6,500,727	-	(339,152)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from debt	-	-	-
Proceeds from bond insurance	-	-	-
Purchases of capital assets	(2,848,068)	(3,551,023)	-
Capital contributions received	2,627,529	919,807	-
Principal paid on debt	(3,780,037)	(3,090,000)	-
Interest paid on debt	(16,834,950)	(4,783,321)	-
Net cash provided by (used for) capital and related financing	(20,835,526)	(10,504,537)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	508,716	27,071	1,026
Net cash provided by (used for) investing activities	508,716	27,071	1,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALEN	1,470,516	8,588,644	1,334,917
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,405,661	33,136,385	2,175,504
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 78,876,177	$ 41,725,029	$ 3,510,421

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CITY OF STOCKTON
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Major Fund			
Enterprise			Governmental Activities
Central Parking District	Other Nonmajor Enterprise	Totals	Internal Service
$ 2,651,242	$ 1,956,396	$ 101,696,455	96,440,572
-	-	-	1,861,614
(1,559,437)	(2,371,012)	(41,532,654)	(73,191,966)
(922,611)	(51,540)	(24,425,011)	(8,287,329)
169,194	(466,156)	35,738,790	16,822,891
-	549,299	549,299	205,639
(835,865)	(418)	(867,319)	-
-	-	6,500,727	351,715
-	-	(308,116)	(1,159,000)
-	-	-	7,064,653
-	-	-	(7,092,612)
-	-	-	4,587,389
-	-	-	(411)
1,185	-	1,185	-
1,196,816	-	1,196,816	-
362,136	548,881	7,072,592	3,957,373
-	-	-	1,871,404
600,000	-	600,000	-
-	(672,246)	(7,071,337)	(2,974,862)
-	-	3,547,336	-
(360,000)	-	(7,230,037)	(556,928)
(1,601,300)	672,244	(22,547,327)	(69,827)
(1,361,300)	(2)	(32,701,365)	(1,730,213)
6,578	(7,921)	535,470	3,683
6,578	(7,921)	535,470	3,683
(823,392)	74,802	10,645,487	19,053,734
2,820,779	395,911	115,934,240	20,611,760
$ 1,997,387	$ 470,713	$ 126,579,727	$ 39,665,494

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CITY OF STOCKTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds		
	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 5,720,004	$ 8,696,907	$ (148,536)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	7,417,220	11,249,429	1,586,100
Other non-operating revenues	-	-	-
Changes in assets and liabilities:			
Accounts and other receivables	(640,663)	(849,553)	320,509
Prepaid expenses	-	(32,100)	-
Inventory of supplies	-	(118,107)	-
Deferred charges	-	-	-
Pension asset	-	-	-
Accounts payable	2,797,870	585,325	(80,711)
Due to other governments	102,754	-	-
Deposits and other liabilities	(76,952)	-	-
Compensated absences	(23,634)	(465,791)	(4,319)
Self-insurance - claims and judgments	-	-	-
Net OPEB obligation	-	-	-
Net cash provided by (used for) operating activities	$ 15,296,599	$ 19,066,110	$ 1,673,043
NONCASH TRANSACTIONS:			
Amortization of issuance discounts	$ 14,219	$ 27,296	$ -
Amortization of issuance premiums	(44,893)	-	-
Amortization of loss on refunding	16,818	252,222	-
Costs of issuance paid from bond proceeds	135,510	59,604	-
Capital Contributions	655,525	107,019	183,465
Transfer of capital assets from (to) other funds	(59,942)	(145,697)	-
Change in accrued interest related to loans from other funds	(5,293)	(8,210)	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:			
Cash and investments	$ 39,219,806	$ 24,923,625	$ 3,510,421
Restricted assets:			
Cash and investments	7,701,524	16,613,034	-
Cash and investments with fiscal agents	31,954,847	188,370	-
Total cash and investments	$ 78,876,177	$ 41,725,029	$ 3,510,421
Net cash and cash equivalents	$ 78,876,177	41,725,029	3,510,421

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Major Fund	Enterprise			Governmental Activities
Central Parking District	Other Nonmajor Enterprise	Totals		Internal Service
$ (678,258)	$ (1,185,368)	$ 12,404,749		$ 11,277,329
775,847	605,744	21,634,340		2,441,822
-	-	-		1,861,614
(48,174)	4,278	(1,213,603)		(647,983)
-	82,367	50,267		(73,624)
-	1,484	(116,623)		-
-	-	-		163,170
-	-	-		7,247,193
88,128	(7,568)	3,383,044		(464,824)
-	17,045	119,799		-
30,547	15,862	(30,543)		-
1,104	-	(492,640)		(333,278)
-	-	-		(6,785,046)
-	-	-		2,136,518
$ 169,194	$ (466,156)	$ 35,738,790		$ 16,822,891
$ 2,420	$ -	$ 43,935		$ -
-	-	(44,893)		-
-	-	269,040		-
-	-	195,114		-
-	-	946,009		-
-	-	(205,639)		58,748
-	-	(13,503)		-
$ 1,866,597	$ 470,713	$ 69,991,162		$ 39,637,344
-	-	24,314,558		-
130,790	-	32,274,007		28,150
$ 1,997,387	$ 470,713	$ 126,579,727		$ 39,665,494
1,997,387	$ 470,713	$ 126,579,727		$ 39,665,494

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CITY OF STOCKTON
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments	$ 50,913,177	$ 5,327,271
Cash and investments with fiscal agents	16,662,011	20,452,298
Receivables, net:		
Interest	60,974	1,010
Accounts and other receivables	1,333,483	15,215
Deposits	-	54,900
Due from other governments	1,413	-
Loans to other property owners	-	106,404
Deferred charges	-	2,430,446
Capital assets:		
Nondepreciable	-	13,047,928
Depreciable, net	-	18,286,535
Total assets	$ 68,971,058	59,722,007
LIABILITIES		
Accounts payable	$ 323,464	18,797
Due to other governments	13,632	-
Deposits and other liabilities	68,633,962	-
Loans from the City, net	-	2,495,331
Accrued interest	-	2,158,896
Bonds payable - current	-	3,016,560
Bonds payable - noncurrent	-	122,097,814
Pollution remediation	-	2,817,015
Total liabilities	$ 68,971,058	132,604,413
NET POSITION		$ (72,882,406)

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

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CITY OF STOCKTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR JUNE 30, 2013

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS	
Property tax	$ 9,076,932
Investment Income	263,089
Refunds and reimbursements	46,734
Miscellaneous	164,684
Transfer in	17,425,360
Total additions	26,976,799
DEDUCTIONS	
General government	2,308,956
Public Works	9,118,544
Interest expense	6,481,640
Transfer out	9,410,552
Total deductions	27,319,692
CHANGE IN NET POSITION	(342,893)
NET POSITION	
Beginning of year	(72,539,513)
End of year	$ (72,882,406)

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

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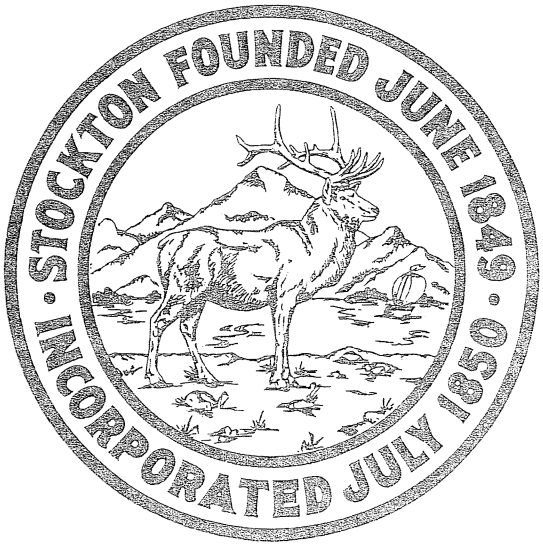

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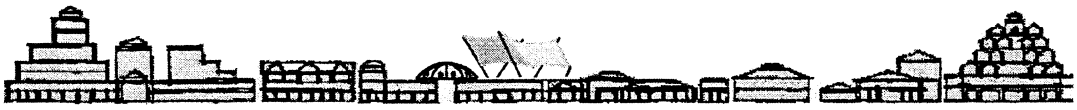
CITY OF STOCKTON



NOTES TO BASIC FINANCIAL STATEMENTS

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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 principles. 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, 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. *Financial Reporting Entity, Continued*

Excluded Agency

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

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, 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.

In 2013, the City implemented 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 represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Financial Reporting Entity, Continued

Government-Wide Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even the latter is excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Government-Wide Financial Statements, Continued

The Government-Wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes 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 in regards to 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 eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those 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

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes 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 sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Governmental Fund Financial Statements, Continued

which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them such as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

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

The City reports the following major governmental funds:

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

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

- *Low and Moderate-Income Housing City Loans Special Revenue Fund*
  To account for loans extended to eligible low and moderate-income families as approved by the Stockton Redevelopment Agency (until dissolution on February 1, 2012) and the California Health and Safety Code. Loans have not been extended subsequent to the date of dissolution.

- *Capital Improvement Capital Projects Fund*
  To account for the acquisition, construction and improvement of 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes 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 Changes in Fund 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Proprietary Fund Financial Statements, Continued

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 any activity that provides 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),Fiduciary and thus do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting like the Proprietary funds. These funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for various assessment districts for which the City acts as an agent for debt service activities. The private-purpose trust fund accounts for assets, liabilities and activities of the dissolved Redevelopment Agency of the City of Stockton, which is accounted for in the Successor Agency Trust Fund.

C. *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. Encumbrance amounts outstanding at year-end are reported within fund balance as they represent a commitment of fund balance for expenditures during a subsequent period.

D. *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," as such funds are available to the various funds as needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Investment income consists of interest income, dividend income, and recognized gains or losses on investments. Money market investments and certain guaranteed investment contracts are carried at cost. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City allocates the fair value adjustment for unrealized gains and losses along with interest earnings on investments to the individual pooled funds quarterly based on each fund's average pooled cash and investments balances. The City reported its investments at fair value and the unrealized losses on investments amounted to $1,007,382 for the fiscal year ended June 30, 2013.

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

E. *Restricted Cash and Investments*

Restricted cash and investments consist of cash and investments held with fiscal agents are restricted due to limitations on their use by bond covenants or donor limitations. Cash held in the Rate Stabilization Fund established pursuant to the 2009 Water Rate and Financing Study. Fiscal agents acting on behalf of the Fund hold investment funds 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.

F. *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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. *Receivables, Continued*

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

Long-term loans receivable, which consist of the principal amount of the loan plus the accrued borrower's deferred interest, is reported in the governmental fund statements with offsetting deferred 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 deferred revenue as it is recorded on an accrual basis at its net realizable value based on an estimate of uncollectible amounts for loan losses.

Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

G. *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.

H. *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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. 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 in other funds to offset the accrual.

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:

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 once constructed. 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 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, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Accrued Compensated Absences, Continued

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Long-Term Debt

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

Bond premiums and discounts, as well as issuance costs, are deferred and 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. Issuance costs are reported as deferred charges.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Implementation of Governmental Accounting Standards Board Statements

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA).* The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement became effective for periods beginning after December 15, 2011 and did not have an impact on the City's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement became effective for periods beginning after June 15, 2012 and did not have an impact on the City's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The requirement of this Statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government's net position. This Statement became effective for periods beginning after December 15, 2011. The implementation of this Statement to the City was limited to renaming "Net Assets" to "Net Position" in the 2013 financial statements.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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. Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue,* is reported only in the governmental of accounting. The governmental funds report unavailable revenues from three sources: due from other government agencies, interest receivable and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. *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 apply restricted net positions first.

R. *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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. *Fund Balances, Continued*

Unassigned - Amounts that constitute the residual balances that have no restrictions placed upon them. As restrictions exceed available resources at June 30, 2013, only deficit amounts are reported in the unassigned category.

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

S. *Use of Estimates*

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

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2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2013:

Deposits:		
Cash on hand	$	84,040
Demand deposits		5,286,842
Total deposits		5,370,882
Investments		345,543,936
Total cash and investments	$	350,914,818
Presented in the government-wide statement of net position:		
Cash and investments	$	197,518,463
Restricted cash and investments		60,041,598
Presented in the statement of fiduciary net position:		
Cash and investments		56,240,448
Cash and investments with fiscal agents		37,114,309
Total cash and investments	$	350,914,818

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2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

A. *Cash Deposits*

The carrying amount of the City's pooled cash deposits was $5,370,882 at June 30, 2013. Bank balances before reconciling items were $2,396,235 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the Fund'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.

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 and 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, rather than the general provisions of the California Government Code or the City's investment policy.

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 matutity, as allowed under IRS and SEC rulings. VRDO investments are limited to

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

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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

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 pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations) or credit card receivables.

As of June 30, 2013, the City had $50,000,000 invested in LAIF, which had invested 1.96% of the Pool investment funds in medium-term and short-term structured notes and asset-backed securities.

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 and Successor Agency 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 Fund'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.

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2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

F. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. The exceptions to this policy are that U.S. Treasury or U.S. Agency securities may be invested 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. The City does not hold any investments with maturities greater than 5 years as of June 30, 2013. Maturity of investments is evaluated prior to purchase depending on liquidity needs.

Information about the sensitivity of the fair values of the Fund'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 Fund's investments by maturity or earliest call date.

		Investment Maturities			
Investment Type	Fair Value	1 year or less	1-3 years	3-5 years	5 years or more
U. S. Agencies	$ 73,101,636	$ 7,002,181	$ 32,893,115	$ 33,206,340	$ -
U. S. Treasuries	27,057,015	-	15,167,544	11,790,430	99,041
Medium term notes	35,599,706	9,735,674	18,173,866	7,683,100	7,066
Local Agency Investment Fund	50,000,000	50,000,000	-	-	-
Money market mutual funds	32,730,093	32,730,093	-	-	-
Negotiable certificates of deposits	6,261,735	456,019	5,805,716	-	-
Tax exempt municipal bonds	1,765,421	123,416	1,642,005	-	-
Repurchase agreement	80,412,898	80,412,898	-	-	-
Guaranteed investment contracts	23,657,046	-	17,180,981	1,974,730	4,501,335
Commercial paper	8,719,109	8,719,109	-	-	-
Asset backed securities	6,239,277	-	2,352,920	3,886,357	-
Total	$ 345,543,936	$ 189,179,390	$ 93,216,147	$ 58,540,957	$ 4,607,442

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2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

F. 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, 2013 for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA/AAAM	AA / AA+ / AA-	A / A+/ A-	A-1+	Total
Held by the City and its Component Units:					
U. S. Agencies:					
Non-callable	$ -	$ 63,074,991	$ -	$ -	$ 63,074,991
Callable	-	1,418,332	-	-	1,418,332
Medium term notes:					
Non-callable	-	12,881,393	22,711,249	-	35,592,642
Asset Backed Securities	5,062,829				5,062,829
Money market mutual funds	150,913	-	-	-	150,913
Commercial Paper	-	-	-	8,719,109	8,719,109
Repurchase agreement	-	-	-	80,412,898	80,412,898
Held by Fiscal Agents:					
U. S. Agencies	-	8,608,314	-	-	8,608,314
Money market mutual funds	32,579,175	-	-	-	32,579,175
Municipal securities	785,202	980,220	-	-	1,765,422
Total	$ 38,578,119	$ 86,963,250	$ 22,711,249	$ 89,132,007	
Not rated or exempt from rating disclosure:					
Local Agency Investment Fund					50,000,000
U. S. Treasuries					27,057,016
Negotiable certificates of deposits					6,261,735
Guaranteed investment contracts					23,657,046
Medium Term notes and Asset Backed Securities securities not rated by S&P					1,183,514
Total Investments					$ 345,543,936

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

F. 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 2013, 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 April 24, 2014 and Fitch affirmed the AAA rating and brought the outlook to stable on March 21, 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 Fund 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
Held by City and its Component Units:		
Wells Fargo Corp	Repurchase Agreement	$ 80,412,898
Federal National Mortgage Association	Federal Agency Securities	18,049,744
Federal Home Loan Mortgage Corp	Federal Agency Securities	15,662,923
Federal Farm Credit Bank	Federal Agency Securities	14,067,647
Federal Home Loan Bank	Federal Agency Securities	14,078,514
Held by Fiscal Agent:		
Trinity Plus	Guaranteed Investment Contract	$ 15,695,424
Federal Home Loan Bank	Federal Agency Securities	7,396,494
Federal Farm Credit Bank	Federal Agency Securities	1,211,820

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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 Fund 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 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, 2013 was $8.2 million.

At June 30, 2013, Government-Wide restricted cash and investments and restricted cash and investments with fiscal agents are as follows:

Governmental activities	$	3,453,033
Business-type activities:		
Water Utility		39,656,371
Wastewater Utility		16,801,404
Central Parking District		130,790
Subtotal		56,588,565
Total restricted cash and investments	$	60,041,598

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, 2013.

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3. INTERFUND TRANSACTIONS, Continued

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

The most significant interfund transactions were as follows:

Fund Making Short Term Loan	Fund Receiving Short Term Loan	Amount
Internal Service Fund - Workers' Compensation	Capital Improvement Funds	$ 4,797,537
	Non-Major Governmental:	
	Measure K	549,042
	Gas Tax	1,850,243
		$ 7,196,822

- $7,196,822 was borrowed from the Workers' Compensation Fund to cover cash overdrafts in the Capital Improvements Funds and the Other Non-major Governmental Special Revenue Funds in the investments pool as of June 30, 2013.

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:

Fund Making Loan	Fund Receiving Loan	Amount	Allowance for Uncollectable Loans	Net
Non-major Governmental - Public Facilities Impact Fees Capital Projects Fund	Central Parking District Enterprise Fund	$ 1,275,218	$ -	$ 1,275,218
Internal Service Funds	Central Parking District Enterprise Fund	619,466	-	619,466
General Fund	Stormwater Utility Enterprise Fund	10,498,481	(10,498,481)	-
Capital Improvement Capital Projects Fund	Public Facilities Impact Fees Capital Proj. Fund	962,221	(962,221)	-
	Stormwater Utility Enterprise Fund	797,749	(797,749)	-
	Non Major Enterprise Funds - Golf Courses Fund	763,500	(763,500)	-
Total		$ 14,916,635	$ (13,021,951)	$ 1,894,684

3. INTERFUND TRANSACTIONS, Continued

B. Loans To / From Other Funds, Continued

- The $1,275,218 loan from Public Facilities Impact Fees Capital Projects Fund to the Central Parking District Enterprise Fund is for construction costs of new parking structures.

- The $619,466 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 $10,498,481 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 $962,221 loan from the Capital Improvement Capital Projects Fund to the Public Facilities Impact Fees Capital Projects Fund is 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.

3. INTERFUND TRANSACTIONS, Continued

B. *Transfers*

Interfund transfers report the nonreciprocal contributions of resources from one fund to another that include program support, debt service and settlement, and other one-time transfers. The following is a summary of transfers for the year ended June 30, 2013:

		Transfers In	Transfers Out	Net Transfers
Governmental Activities:				
General Fund	Program Support	$ 235,442 (1)	$ (2,401,780)	$ (2,166,338)
General Fund	Debt Service/ Settlement	835,865	(977,898)	(142,033)
Low-Moderate Income Housing- City Loans	Debt Service/ Settlement	-	(230,820)	(230,820)
Capital Improvement	Program Support	825,000	-	825,000
Capital Improvement	Debt Service/ Settlement	-	(628)	(628)
Capital Improvement	Capital Projects	24,472,655 (2)	-	24,472,655
Other Governmental non-major funds	Program Support	3,026,066	(2,202,573) (1)	823,493
Other Governmental non-major funds	Debt Service	1,282,931	(73,585)	1,209,346
Other Governmental non-major funds	Capital Projects	-	(24,472,655) (2)	(24,472,655)
Internal Service Funds	Program Support	205,639	-	205,639
Total governmental activities		30,883,598	(30,359,939)	523,659
Business-type Activities:				
Water Utility	Program Support	-	(59,942)	(59,942)
Wastewater Utility	Program Support	-	(145,697)	(145,697)
Stormwater Utility	Program Support	-	(31,036)	(31,036)
Central Parking District	Debt Service/ Settlement	-	(835,865)	(835,865)
Other Enterprise non-major funds	Program Support	549,299	(418)	548,881
Total business-type activities		549,299	(1,072,958)	(523,659)
Total government-wide statements		$ 31,432,897	$ (31,432,897)	$ -

Nonroutine and Infrequent Transfers:

(1) The General Fund includes a one-time residual transfer in the amount of $413,730 from Other Governmental - non major funds to close out certain Permanent and Special Revenue Funds.

(2) In FY 2012-13, the Capital Projects Fund became a reporting fund and all the capital projects reimbursements from other city capital funds are reported as capital transfers. Prior to FY 2013, the Capital Projects Fund was a non-reporting fund and the capital projects reimbursements from other city capital funds were reported as capital outlay.

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4. LOANS TO AND FROM SUCCESSOR AGENCY

With the dissolution of the Redevelopment Agency effective January 31, 2012, the following loans are outstanding as of June 30, most of which are offset by an Allowance for Uncollectable Loans:

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	87,150,068	(87,150,068)	-
Total		$ 123,485,320	$ (119,989,988)	$ 3,495,332

4. LOANS TO AND FROM SUCCESSOR AGENCY, 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, 2013, outstanding accrued interest balance was $87,150,068.

- 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.

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, 2013 are as follows:

	Governmental Activites		
Loan Programs	Principal	Deferred Interest	Total
First Time Home Buyers Program (HOME)	$ 30,023,572	$ 5,867,207	$ 35,890,779
Community Development Block Grant Programs	16,276,771	4,026,687	20,303,458
Neighborhood Stabilization First Time Home Buyer Program	7,245,452	70,674	7,316,126
California Home Loans	3,154,475	207,205	3,361,680
Low & Moderate Income Housing Programs (former Agency)	48,735,199	5,796,064	54,531,263
	$ 105,435,469	$ 15,967,837	121,403,306
Less: Allowance for doubtful accounts			(894,000)
			$ 120,509,306

First Time Home Buyers Program

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 acquisiiton, 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.

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5. LOANS TO PROPERTY OWNERS, Continued

Affordable Housing Program

The City Affordable Housing Loans Program is 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 Funds $20,268,225. At June 30, 2013, the outstanding balance of the settlement was $7,366,573 and $11,426,738, respectively. Upon the City's filing for bankruptcy on June 28, 2012 (Note 16), 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. The City adopted its 2012-13 Budget under the pendency plan and payments from the City's General Fund for this obligation were discontinued.

7. CAPITAL ASSETS

A. *Government-Wide Financial Statements*

At June 30, 2013, the City's capital assets consisted of the following:

	Governmental Activities	Business - Type Activities	Total
Capital assets, not being depreciated:			
Land	$ 45,343,669	$ 15,606,841	$ 60,950,510
Intangible assets - easements	4,309,777	750,453	5,060,230
Construction in progress	172,014,644	20,272,371	192,287,015
Total capital assets, not being depreciated	221,668,090	36,629,665	258,297,755
Capital assets, being depreciated:			
Infrastructure	459,667,425	-	459,667,425
Buildings and improvements	343,385,583	982,324,653	1,325,710,236
Machinery and equipment	54,349,957	10,011,961	64,361,918
Total capital assets, being depreciated	857,402,965	992,336,614	1,849,739,579
Less accumulated depreciation for:			
Infrastructure	(132,814,731)	-	(132,814,731)
Buildings and improvements	(90,761,025)	(251,758,494)	(342,519,519)
Machinery and equipment	(39,222,567)	(7,092,142)	(46,314,709)
Total accumulated depreciation	(262,798,323)	(258,850,636)	(521,648,959)
Total capital assets, being depreciated, net	594,604,642	733,485,978	1,328,090,620
Total capital assets, net	$ 816,272,732	$ 770,115,643	$ 1,586,388,375

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7. CAPITAL ASSETS, Continued

B. *Governmental Activities*

Summary of changes in governmental activities capital assets for the year ended June 30, 2013 are as follows:

Governmental activities:	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	$ 44,768,669	$ 187,900	$ -	$ 387,100	$ 45,343,669
Intangible assets - easements	3,434,980	625,997	-	248,800	4,309,777
Construction in progress	130,553,077	50,832,745	(4,731,078)	(4,640,100)	172,014,644
Total capital assets, not being depreciated	178,756,726	51,646,642	(4,731,078)	(4,004,200)	221,668,090
Capital assets, being depreciated:					
Infrastructure	455,521,748	1,262,172	-	2,883,505	459,667,425
Buildings and improvements	342,306,914	-	-	1,078,669	343,385,583
Machinery and equipment	52,810,697	2,776,976	(1,485,381)	247,665	54,349,957
Total capital assets, being depreciated	850,639,359	4,039,148	(1,485,381)	4,209,839	857,402,965
Less accumulated depreciation for:					
Infrastructure	(121,260,583)	(11,554,148)	-	-	(132,814,731)
Buildings and improvements	(82,199,440)	(8,561,585)	-	-	(90,761,025)
Machinery and equipment	(37,793,455)	(2,913,949)	1,484,837	-	(39,222,567)
Total accumulated depreciation	(241,253,478)	(23,029,682)	1,484,837	-	(262,798,323)
Total capital assets, being depreciated, net	609,385,881	(18,990,534)	(544)	4,209,839	594,604,642
Governmental activities capital assets, net	$ 788,142,607	$ 32,656,108	$ (4,731,622)	$ 205,639	$ 816,272,732

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2013 are as follows:

Governmental Activities:	
General Government	$ 4,684,156
Public Works	11,942,242
Parks & Recreation	2,780,498
Library	152,420
Public Safety	1,082,714
Internal Service Funds	2,387,652
Total	$ 23,029,682

7. CAPITAL ASSETS, Continued

C. *Business-Type Activities*

Summary of changes in Business-Type activities capital assets for the year ended June 30, 2013 are as follows:

Business-type activities:	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	$ 15,606,841	$ -	$ -	$ -	$ 15,606,841
Intangible asset - easements	750,453	-	-	-	750,453
Construction in progress	20,954,822	6,854,897	(346,949)	(7,190,399)	20,272,371
Total capital assets, not being depreciated	37,312,116	6,854,897	(346,949)	(7,190,399)	36,629,665
Capital assets, being depreciated:					
Buildings and improvements	973,516,000	1,618,254	-	7,190,399	982,324,653
Machinery and equipment	9,822,015	395,585	-	(205,639)	10,011,961
Total capital assets, being depreciated	983,338,015	2,013,839	-	6,984,760	992,336,614
Less accumulated depreciation for:					
Buildings and improvements	(230,598,882)	(21,159,612)	-	-	(251,758,494)
Machinery and equipment	(6,843,143)	(248,999)	-	-	(7,092,142)
Total accumulated depreciation	(237,442,025)	(21,408,611)	-	-	(258,850,636)
Total capital assets, being depreciated, net	745,895,990	(19,394,772)	-	6,984,760	733,485,978
Business-type activities capital assets, net	$ 783,208,106	$ (12,539,875)	$ (346,949)	$ (205,639)	$ 770,115,643

Business-Type activities depreciation expenses for capital assets for the year ended June 30, 2013 are as follows:

Business-type Activities:	
Water Utility	$ 7,312,383
Wastewater Utility	11,162,528
Stormwater Utility	1,586,100
Central Parking District	741,857
Golf Courses	68,772
Marina	536,971
Total	$ 21,408,611

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7. CAPITAL ASSETS, Continued

D. *Fiduciary Fund -Type Activities*

Summary of changes in Fiduciary Fund activities capital assets for the year ended June 30, 2013 are as follows:

Fiduciary fund activities:	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	$ 12,947,928	$ -	$ -	$ -	$ 12,947,928
Intangible assets - easements	100,000	-	-	-	100,000
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	13,047,928	-	-	-	13,047,928
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	23,119,625	-	-	-	23,119,625
Less accumulated depreciation for:					
Infrastructure	(778,575)	(249,630)	-	-	(1,028,205)
Buildings and improvements	(3,259,826)	(420,057)	-	-	(3,679,883)
Machinery and equipment	(104,043)	(20,959)	-	-	(125,002)
Total accumulated depreciation	(4,142,444)	(690,646)	-	-	(4,833,090)
Total capital assets, being depreciated, net	18,977,181	(690,646)	-	-	18,286,535
Governmental activities capital assets, net	$ 32,025,109	$ (690,646)	$ -	$ -	$ 31,334,463

Fiduciary fund activities depreciation expenses for capital assets for the year ended June 30, 2013 are as follows:

Fiduciary Fund Activities:	
Successor Agency	$ 690,646

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8. LONG-TERM DEBT

A. *Government-Wide Financial Statements*

At June 30, 2013, the City's long-term debt consisted of the following:

	Balance June 30, 2013	Current	Non-Current
Long-Term Debt:			
Governmental Activities	$ 259,837,052	$ 29,289,329	$ 230,547,723
Business-Type Activities	383,508,736	8,323,020	375,185,716
Compensated Absences:			
Governmental Activities	10,786,009	5,457,188	5,328,821
Business-Type Activities	869,527	600,841	268,686
Claims Liabilities:			
Governmental Activities	63,685,838	14,476,729	49,209,109
Total	$ 718,687,162	$ 58,147,107	$ 660,540,055

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8. LONG-TERM DEBT, Continued

B. *Governmental Activities*

Summary of changes in governmental activities long-term debt for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current	Non-Current
Lease Revenue Refunding Bonds:						
2006 Series A (Essential Services Building)	$ 12,085,000	$ -	$ (400,000)	$ 11,685,000	$ 415,000	$ 11,270,000
Deferred amount on refunding	(610,764)	-	31,728	(579,036)	(31,728)	(547,308)
Unamortized discount	(65,237)	-	3,389	(61,848)	(3,389)	(58,459)
Lease Revenue Bonds:						
2009 Series A Capital Improvement Bonds	35,080,000	-	-	35,080,000	-	35,080,000
Unamortized discount	(700,189)	-	26,653	(673,536)	(26,653)	(646,883)
Variable Rate Demand Lease Revenue Bonds:						
2007 Series A	36,500,000	-	(5,210,000)	31,290,000	5,215,000	26,075,000
2007 Series B	3,855,000	-	(445,000)	3,410,000	550,000	2,860,000
Total Lease Revenue Bonds	86,143,810	-	(5,993,230)	80,150,580	6,118,230	74,032,350
Certificates of Participation:						
Series 2003A (former Redevelopment Housing)	1,125,000	-	(35,000)	1,090,000	35,000	1,055,000
Series 2003B (former Redevelopment Housing)	11,845,000	-	(310,000)	11,535,000	325,000	11,210,000
Unamortized discount	(70,012)	-	3,159	(66,853)	(3,158)	(63,695)
Total Certificates of Participation	12,899,988	-	(341,841)	12,558,147	356,842	12,201,305
Pension Obligation Bonds:						
2007 Series A	95,955,000	-	(930,000)	95,025,000	1,580,000	93,445,000
2007 Series B	28,325,000	-	-	28,325,000	-	28,325,000
Total Pension Obligation Bonds	124,280,000	-	(930,000)	123,350,000	1,580,000	121,770,000
Other long-term obligations:						
Notes payable:						
U.S. Dept. of Housing and Urban Development	19,000,000	-	(1,250,000)	17,750,000	1,290,000	16,460,000
Loans payable:						
San Joaquin Council of Governments #1	2,130,471	-	(1,194,878)	935,593	935,593	-
San Joaquin Council of Governments #2	646,793	-	-	646,793	646,793	-
Capital lease obligations:						
Fire Vehicles	757,618		(59,767)	697,851	62,098	635,753
Civic auditorium HVAC system	1,617,604	-	(168,401)	1,449,203	177,099	1,272,104
Citywide communications system	891,482	-	(283,860)	607,622	296,959	310,663
4 Fire Trucks	-	1,871,404	(213,301)	1,658,103	179,570	1,478,533
State Animal Control Obligation	1,667,251	-	(210,802)	1,456,449	174,975	1,281,474
Settlement Obligation- Marina Towers	1,581,094	-	-	1,581,094	475,553	1,105,541
Bond Insurance Liability - 2006 Ser A (Essential Serv, Build)	-	108,854	-	108,854	108,854	-
Bond Insurance Liability- 2007 A&B Variable Rate	414,161	8,178,109	-	8,592,270	8,592,270	-
Interest accrued on Insurance proceeds	-	299,840	-	299,840	299,840	-
Bond Insurance Liability- 2007 A&B Pension Bonds	-	7,738,761	-	7,738,761	7,738,761	-
Interest accrued on Insurance proceeds	-	255,892	-	255,892	255,892	-
Total other long-term obligations	28,706,474	18,452,860	(3,381,009)	43,778,325	21,234,257	22,544,068
Total	$ 252,030,272	$ 18,452,860	$ (10,646,080)	$ 259,837,052	$ 29,289,329	$ 230,547,723

8. LONG-TERM DEBT, 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, 2013, bonds totaling $11,685,000 are due in installments ranging from $415,000 on August 1, 2013 to $875,000 on August 1, 2031, with interest rates ranging from 4.0% to 4.5% and a final maturity date of August 1, 2031. The 2006 Bonds are insured and have a reserve fund surety provided by National Public Finance Guaranty "NPFG".

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

The 2006 Bonds are limited obligations of the SPFA payable solely from all amounts received by the SPFA or the Trustee 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 is planned as the primary funding source for 100% of the repayment. The principal amount due is reported net of a negative deferred amount on refunding of $579,036 and an unamortized discount of $61,848.

The City is current on the payment of the 2006 Bonds. However, the loan payment has been paid by the bond insurer to cover Trustee legal costs. The insurance proceeds through June 30, 2013 were $108,854 and is due on demand and is reflected as addition to the principal portions in the following tables. The City has proposed to accept the lease under the proposed Plan of Adjustment subject to approval by the Court. The Proposed Plan is subject to Confirmation by the Court pursuant to the provisions of the Bankruptcy Code, however, and remains subject to change. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the 2006 Bonds 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.

8. LONG-TERM DEBT, 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, 2013, bonds totaling $35,080,000 are due in installments of principal ranging from $525,000 on September 1, 2013 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 and have a cash reserve fund.

The 2009 Bonds are limited obligations of the SPFA payable solely from revenues consisting primarily of certain lease payments made by the City of Stockton to the SPFA for the beneficial use and occupancy of the Property. The City, as lessor, and the SPFA, as lessee, entered into a site and facility lease dated as of September 1, 2009, pursuant to which the City will lease to the SPFA certain real property, and the facilities located thereon. 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"). Pursuant to 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.

The General Fund is obligated to make the lease payments and 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 $673,536.

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

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

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

In March 2012, the City defaulted on the 2009 Bonds and continues to be in default at June 30, 2013 (Note 17). The City and Franklin Advisors are in litigation regarding the 2009 Bonds treatment under the City's proposed Plan of Adjustment. Interest of $1,207,917 was not paid to bondholders during the fiscal year and in the government-wide financial statements has been reported as accrued interest currently due and payable to bondholders, but stayed under the City's chapter 9 bankruptcy.

The Lease Payments are payable from the City's General Fund as described in the Official Statement. The Proposed Plan, if confirmed, would materially modify the City's obligations with respect to the 2009 Bonds.

The Proposed Plan is subject to Confirmation by the Court pursuant to the provisions of the Bankruptcy Code, however, and remains subject to change. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the 2009 Bonds 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.

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

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, 2013. 180 days after tender of the bonds to the Liquidity Provider, the bonds became subject to acceleration and repayment in 14 equal semiannual installments. These payments have created a liability to the bond insurer, which is reported separately (see further details below). As of June 30, 2013, 2007 Bonds from Series A totaling $31,290,000 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, 2013 2007 Bonds for Series B bonds totaling $3,410,000 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. As of September 2012, the 2007 Bonds were tendered in its entirety.

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.

8. LONG-TERM DEBT, Continued

B. Governmental Activities, Continued

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"). Interest is paid monthly and the interest rate is reset weekly. The 2007 Bonds are insured and have a reserve fund surety provided by Assured Guaranty.

Prior to default, the Bonds interest rate was based on a weekly rate established by the remarketing agent based on prevailing market conditions. 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, 2013, the interest rate was 6.25%. Rates paid during the year varied from a low of 6.25% to a high of 6.5%.

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 on defaulted debt service payments made to the bondholders by the insurer prior to June 30, 2013. Insurance proceeds, to date, through June 30, 2013 of $7,497,930 and $680,179 for the Series A and B, respectively, and have been reported in the maturity schedule in 2013 as amounts due on demand and are reflected as additions to the principal portions in the following tables. These payments also accrue interest at prime rate plus 3% (6.25% at June 30, 2012) from the time amounts are paid. An amount of $299,840 is reported for this interest liability.

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. See Note 18 for further information.

8. LONG-TERM DEBT, Continued

B. Governmental Activities, 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 as to the treatment of this obligation in bankruptcy subject to approval by the Court of the 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. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the 2007 Bonds 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.

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

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, 2013, $1,090,000 remains outstanding with installments of principal ranging from $35,000 on September 1, 2013 to $75,000 on September 1, 2033, with interest rates ranging from 3.25% to 4.375%, and a final maturity date of September 1, 2033. The principal amount outstanding at June 30, 2013 is reported net of unamortized discount of $14,086.

The 2003 COPs, Series B were issued in the amount of $12,140,000. As of June 30, 2013, $11,535,000 remains outstanding with installments of principal ranging from $325,000 on September 1, 2013 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 principal amount outstanding at June 30, 2013 is reported net of unamortized discount of $52,767.

For the right to the use and occupancy of the Leased Premises, the Lease Agreement requires the City to make lease payments. 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). 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.

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, 2013 there are no unpaid amounts by the Agency to the City. The City has pledged lease payments, to the SPFA to repay the outstanding COPs. The General Fund is obligated to make lease payments, and as described above, the General Fund has the right to reimbursement for certain Agency tax increments. For the year ended June 30, 2013, lease reimbursements were $990,170 and the 20% Agency Housing Set-Aside was $2,222,187. The City is current on the payment of the 2003 COPs. See Note 17 for further information.

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

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

The City has negotiated a proposed settlement with Ambac as to the treatment of this obligation in bankruptcy subject to approval by the Court of the 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. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the 2003 COPs 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.

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

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, 2013, bonds totaling $95,025000 are due in installments of principal ranging from $930,000 on September 1, 2012 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, 2013, bonds totaling $28,325,000 are due in installments of principal ranging from $715,000 on September 1, 2018 to $2,800,000 on September 1, 2037, with interest rates ranging from 5.675% to 5.795%. The Series A and Series B for the 2007 POBs are insured by Assured Guaranty and do not have a reserve fund.

The obligation of the City to pay the principal and interest on the Series 2007 Bonds when due is an absolute and unconditional obligation of the City imposed by law, and payment of principal of and interest on the Series 2007 Bonds is not limited to any special source of funds. Pursuant to the Indenture, the City is obligated to deposit with the Trustee the payment of debt service on the Series 2007 Bonds for the current fiscal year no later than August 15 of each year, commencing August 15, 2007.

The City however makes debt service payments on the Bonds from various funds of the City. Approximately 83% of the obligation is paid from the General Fund and approximately 17% is paid from other than General Fund sources though this amount may vary from year to year. No funds are specifically pledged for repayment of the POBs; however, for budgeting purposes the City treats amounts payable on the POBs in the same way it treats other budgeted payments of the City's annual required contributions to CalPERS.

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, 2013 (Note 17). 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, 2013. The insurance proceeds through June 30, 2013 were $6,107,864 for the Series A and $1,630,898 for the Series B and are due on demand and are reflected as additions to the principal portions in the following tables. These payments also accrue interest at prime rate plus 3% (6.25% at June 30, 2013) from time amounts are paid and an amount of $255,892 is reported for this interest liability.

8. LONG-TERM DEBT, Continued

C. *Governmental Activities, Continued*

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

The City has negotiated a proposed settlement with Assured Guaranty as to the treatment of this obligation in bankruptcy subject to approval by the Court of the 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. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the 2007 POBs 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.

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

Annual Debt Service Requirements to Maturity

Year Ending	Lease Revenue Bonds		Certificates of Participation		Pension Obligation Bonds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 15,714,178	$ 6,055,566	$ 360,000	$ 629,681	$ 9,574,653	$ 6,718,043
2015	6,765,000	4,433,217	375,000	613,471	1,800,000	6,631,177
2016	6,815,000	4,015,898	390,000	596,539	2,035,000	6,532,617
2017	6,875,000	3,595,347	410,000	578,522	2,280,000	6,421,722
2018	6,940,000	3,171,128	430,000	560,186	2,545,000	6,297,719
2019-2023	12,806,786	12,325,264	2,470,000	2,452,714	17,395,000	28,976,631
2024-2028	9,180,000	9,849,647	3,165,000	1,735,486	22,265,000	23,368,709
2029-2033	11,345,000	6,690,219	4,080,000	798,926	29,515,000	16,504,588
2034-2038	11,275,000	3,042,025	945,000	24,609	43,935,000	6,578,954
2039-2043	2,750,000	96,250	-	-	-	-
Total	$ 90,465,964	$ 53,274,561	$ 12,625,000	$ 7,990,134	$ 131,344,653	$ 108,030,160

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 Pension Obligation Bonds after filing for bankruptcy protection under chapter 9. The non-current portion of principal on the Pension Obligation Bond of $121,770,000 continued 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 $64,015,000 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.

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

Other Long-term Obligations

Notes Payable

The City has 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, 2013, the first loan totaling $1,165,000 has notes due in installments ranging from $565,000 to $600,000 and are to be paid August 1, 2013 through August 1, 2014, with interest rates ranging from 6.08% to 6.17%; the second loan totaling $1,680,000 has notes due in installments ranging from $165,000 to $260,000 and are to be paid August 1, 2013 through August 1, 2020, with interest rates ranging from 6.08% 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 $10,330,000 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 4.00% to 5.25%. Repayment of the loans will be financed from program income from the use of loan funds.

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, 2013, the outstanding balance is $935,593. The term of the loan is six years in which quarterly repayments of $272,634 began in September 2008 and continued through March 31, 2011. No interest was charged during the period of September 2008 through March 2011. Beginning April 1, 2011 through March 31, 2014, quarterly payments will be $319,222 plus interest on any outstanding balance. The interest charges to be incurred will be based upon SJCOG's borrowing rate for the period. At June 30, 2013 the interest rate was 4.782%.

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, 2013, the outstanding balance is $646,793, the remaining portion of the loan was never drawn and the project is on hold. The loan was due in full by December 2, 2013. However, the outstanding principle balance of $646,793 was paid in full in July 2013. The interest charges incurred were based upon SJCOG's borrowing rate of 4.854% through June 30, 2013.

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8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Notes Payable: U.S. Dept. of Housing & Urban Development and California Housing Finance Agency — Principal	Interest	Loans Payable: San Joaquin Council of Governments Loan #1 and San Joaquin Council of Governments Loan #2 — Principal	Interest
2014	$ 1,290,000	$ 892,991	$ 1,582,386	$ 133,649
2015	1,335,000	824,098	-	-
2016	1,365,000	754,835	-	-
2017	1,400,000	685,400	-	-
2018	1,455,000	611,840	-	-
2019-2023	8,370,000	1,793,252	-	-
2024-2028	2,535,000	98,255	-	-
Total	$ 17,750,000	$ 5,660,671	$ 1,582,386	$ 133,649

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

Capital Lease Obligations

The City is current on the payment of the Capital Lease Obligations. The City has proposed to accept the leases under the proposed Plan of Adjustment subject to approval by the Court. The Proposed Plan is subject to Confirmation by the Court pursuant to the provisions of the Bankruptcy Code, however, and remains subject to change. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 to certain of the City's obligations 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.

Fire Vehicles - (Lease #1)

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

The assets acquired through the capital lease are as follows:

Machinery and Equipment	$	1,005,792
Less: Accumulated depreciation		(412,644)
Total	$	593,148

8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

Capital Lease Obligations, Continued

Civic Auditorium HVAC System - (Lease #2)

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

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

Machinery and Equipment	$	1,861,906
Less: Accumulated depreciation		(93,095)
Total	$	1,768,811

Depreciation will begin on the asset next year.

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8. LONG-TERM DEBT, 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%.

The assets acquired through the capital lease are as follows:

Machinery and Equipment	$	441,334
Less: Accumulated depreciation		(411,229)
Total	$	30,105

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		(41,587)
Total	$	1,829,817

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, 2013, the future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Year Ending	Capital Lease #1		Capital Lease #2		Capital Lease #3		Capital Lease #4	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 62,098	$ 26,357	$ 177,099	$ 71,680	$ 296,959	$ 28,041	$ 179,570	$ 33,730
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
2019-2023	362,186	35,860	467,387	30,171	-	-	787,202	65,998
2024-2028	-	-	-	-	-	-	-	-
Total	$ 697,851	$ 142,469	$ 1,449,203	$ 292,250	$ 607,622	$ 42,378	$ 1,658,101	$ 261,600

8. LONG-TERM DEBT, 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, excluding July, 1 2003 through 2005 in Animal Adoption Program costs. Upon an audit of the mandated claims file, the State disallowed $2.5 million of the $2.9 million costs claimed but had already paid the City $2.1 million for the periods mentioned above. The State findings were that the remaining $1.9 million must be repaid to the State. The City will receive credit for repayment from offsetting future State reimbursements for mandated costs. The City obligation was adjusted during the year by $(210,802). The balance of the obligation at June 30, 2013 was $1,456,449.

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 is being 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%, at June 30, 2013. In July 2012, the City defaulted on these payments (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 in exchange for the settlement of their claim of $1.875 million and for the 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 after the close of fiscal year 2012-13.

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8. LONG-TERM DEBT, Continued

B. *Governmental Activities, Continued*

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Settlement Obligation	
	Principal	Interest
2014	$ 475,553	$ 149,447
2015	256,117	56,383
2016	269,179	43,321
2017	282,908	29,592
2018	297,337	15,164
Total	$ 1,581,094	$ 293,907

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8. LONG-TERM DEBT, Continued

C. *Business-Type Activities*

Summary of changes in business-type activities long-term debt for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current	Non-Current
Water Utility						
California Statewide Community Development Authority Revenue Bonds						
Series 2002A (Water System Capital Improvements)	$ 9,430,000	$ -	$ (670,000)	$ 8,760,000	$ 700,000	$ 8,060,000
Deferred amounts on refunding	(182,197)	-	16,818	(165,379)	(16,818)	(148,561)
Unamortized discount	(154,040)	-	14,219	(139,821)	(14,219)	(125,602)
Stockton Public Financing Authority Revenue Bonds						
Series 2005A (Water System Capital Improvements)	24,230,000	-	-	24,230,000	-	24,230,000
Unamortized premium	104,636	-	(4,469)	100,167	4,469	95,698
Stockton Public Financing Authority Revenue Bonds						
Series 2009A (Delta Water Project)	18,575,000	-	(3,035,000)	15,540,000	3,160,000	12,380,000
Series 2009B (Delta Water Project)	154,550,000	-	-	154,550,000	-	154,550,000
Unamortized premium	1,057,761	-	(40,424)	1,017,337	40,424	976,913
Stockton Public Financing Authority Revenue Bonds						
Series 2010A (Delta Water Project)	55,000,000	-	-	55,000,000	-	55,000,000
Note payable						
Federal Drought Relief Act Loan	406,097	-	(75,037)	331,060	78,789	252,271
Total Water Utility	263,017,257	-	(3,793,893)	259,223,364	3,952,645	255,270,719
Wastewater Utility						
Stockton Public Financing Authority Certificates of Participation						
Revenue COP 1998 Series A (Wastewater Projects)	78,105,000	-	(2,440,000)	75,665,000	2,565,000	73,100,000
Refunding COP 2003 Series A (Wastewater Projects)	9,485,000	-	(650,000)	8,835,000	665,000	8,170,000
Deferred amounts on refunding	(2,816,479)	-	252,222	(2,564,257)	(252,222)	(2,312,035)
Unamortized discount	(377,670)	-	27,296	(350,374)	(27,296)	(323,078)
Total Wastewater Utility	84,395,851	-	(2,810,482)	81,585,369	2,950,482	78,634,887
Central Parking District						
Stockton Public Financing Authority Lease Revenue Bonds						
Series 2004 (Parking and Capital Projects)	31,640,000	-	(360,000)	31,280,000	410,000	30,870,000
Unamortized discount	(53,238)	-	2,420	(50,818)	(2,420)	(48,398)
Liability related to Insurance Proceeds		600,000	-	600,000	600,000	
Total Central Parking District	31,586,762	600,000	(357,580)	31,829,182	1,007,580	30,821,602
Marina						
State DBAW Construction & Planning Loan	10,870,821	-	-	10,870,821	412,313	10,458,508
Total Marina	10,870,821	-	-	10,870,821	412,313	10,458,508
Total	$ 389,870,691	$ 600,000	$ (6,961,955)	$ 383,508,736	$ 8,323,020	$ 375,185,716

8. LONG-TERM DEBT, 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 "Enterprise Fund"), amounts that are derived from "property related fees" collected by the City for water service. Application of amounts in the Enterprise Fund is governed by the requirements of Article XIIID, Section 6 of the California Constitution, which provides that the Enterprise 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 Enterprise 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. 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.

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 Fund. The note balance as of June 30,2013 was $331,060.

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 of Stockton. As of June 30, 2013, there are $8,760,000, 2002A Bonds remaining with installments of principal ranging from $700,000 on October 1, 2013 to $1,090,000 on October 1, 2022, with interest rates ranging from 4.375% to 5.125%. The 2002A Bonds were issued to refinance prior water system expansion bonds. Repayment of the Bonds is financed from net revenues pledged by the Fund. The principal amount due is reported net of a deferred loss on refunding and unamortized discount.

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, 2013, 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, with interest rates ranging from 4.0% to 5.0%. The 2005A Bonds were issued to finance various water system capital improvement projects. Repayment of the Bonds is financed from net revenues pledged by the Fund. The principal amount due is reported net of unamortized premium.

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

Water Utility, Continued

Stockton Public Financing Authority Revenue Bonds Series 2009A

The 2009 Water Revenue Bonds, Series A (Tax-Exempt, Delta Water Supply Project) (the 2009A Bonds") were issued in the amount of $18,575,000 by the SPFA on August 11, 2009. As of June 30, 2013 there are 2009A Bonds remaining in the amount $15,540,000 with installments of principal due ranging from $3,160,000 to $5,655,000 beginning October 1, 2013 through October 1, 2016, 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. Repayment of the bonds is from a pledge of net revenues from the Fund.

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 Authority 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, 2013 was $4,175,006. As of June 30, 2013 there are $154,550,000 2009B Bonds remaining with installments of principal ranging from $3,835,000 to $13,570,000 beginning October 1, 2017 through October 1, 2038, with 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. Repayment of the bonds is financed from net revenues pledged by the Fund. The principal amount due is reported net of unamortized premium.

The City was notified that under sequestration (the federal government's attempt to reduce spending), the subsidy payments would be reduced by 8.7% for the federal fiscal year, starting October 1, 2013. However, the payment received for that date showed a reduction of only 7.65%. It is anticipated that future subsidy payments will be subject to similar sized reductions.

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

Water Utility, Continued

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. Bonds are due in principal installments ranging from $180,000 to $15,405,000 beginning October 1, 2017 through October 1, 2040. The bonds bear interest at a "weekly rate" established by the remarketing agent with regard for prevailing market conditions. Interest is paid monthly based on the rate, which is reset on a weekly basis. The maximum interest rate allowed on the bonds is 12% per annum and, as of June 30, 2012, the interest rate was 0.60%. Rates paid during the year varied from a low of 0.05% to a high of 1.00%. The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. The repayment of the bonds is from a pledge of net revenues of the Fund.

With the issuance of the 2010 Variable Rate Demand Water Revenue Bonds ("2010A Bonds"), the City entered into an irrevocable transferable letter of credit with Union Bank, N.A. in order to remarket the bonds at lower interest rates. The letter of credit was set to expire on October 18, 2013; however, it was extended until December 17, 2013. The City is required to pay Union Bank, N.A. a quarterly Letter of Credit Fee on the outstanding principal amount of the Bonds (2.75% at June 30, 2013). Prior to The City filing Chapter 9 bankruptcy on June 26, 2012, the rate being paid on Letter of Credit was 0.92%. In addition, the remarketing agent receives an annual Remarketing Fee equal to 0.10% of the average principal amount of the outstanding bonds.

The letter of credit with Union Bank, N.A. and the bond indentures for all outstanding debt, excluding the Federal Drought Relief Act Loan, contain subjective acceleration provisions that upon the declaration of an "event of default" which, under the terms of the indenture, consists of the filing for bankruptcy or the default on payments of debt, the bonds would be due on demand. The City defaulted on payment of certain general fund obligations beginning in March 2012 and filed for bankruptcy in June 2012.

Union Bank, N.A. subsequently issued a letter on March 19, 2012 to the City stating that the Bank would not make any present demand on the City for payment nor did it intend to formally declare an Event of Default, however it did not waive its rights and remedies available to them. In the event the Bank were to act upon their rights and formally declare an Event of Default, the total principal outstanding on the 2010A Bonds in the amount of $55 million would become immediately due and payable.

The Bank's actions through the end of FY 2012-13 do not appear to indicate that acceleration would occur and management does not believe Union Bank will exercise its rights and remedies prior to the expiration of the letter of credit. Accordingly, the 2010A Bonds have been classified as a long-term liability in the accompanying statements of net position as of June 30, 2013 pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

Water Utility, Continued

Stockton Public Financing Authority Revenue Bonds Series 2010A, Continued

The Authority originally issued the 2010A Bonds as variable rate demand bonds in a weekly mode. On November 26, 2013, the 2010A Bonds were remarketed in a long-term, fixed rate mode in the amount of $54,135,000 with 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%.

Pledge Revenues

The City has pledged future net system revenues from the Fund for the repayment of all of the Revenue Bonds of the Water Utility.

For the year ended June 30, 2013, principal and interest paid was $15,155,638 and net revenues were $18,906,123. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds is $500,855,582.

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

Debt Covenants

The Revenue Bonds all require the maintenance of a financial covenant of a minimum debt service coverage (DSC) ratio. The minimum DSC ratio for both the senior and subordinate bonds is 115% of net system revenues. The DSC ratio is the measure of the Fund's ability to have sufficient resources to pay its debt service. The Fund has met its DSC for the fiscal years ended June 30, 2013 at each measurement period.

The Revenue Bonds and the Letter of Credit with Union Bank 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. Union Bank has indicated it will not exercise its rights to demand repayment. Management has evaluated with its bankruptcy counsel, through the date of this report, the relevant facts and circumstances surrounding the likelihood that the trustee or Union Bank will exercise its rights under the subjective acceleration clauses. Management believes it to be unlikely that the trustee or Union Bank will exercise their rights as all debt service payments for the Fund have been met, been made timely, and the trustee nor Union Bank have 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 statements of net position. In the event the Trustee, or Union Bank, exercised their rights, their claims would be subject to the automatic stay in the U.S. Bankruptcy court. As mentioned above, the Authority originally issued the 2010A Bonds as variable rate demand bonds in a weekly mode. On November 26, 2013, the 2010A Bonds were remarketed in a long-term, fixed rate mode in the amount of $54,135,000 with 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% (see note 18 for more information).

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

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 "Enterprise 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 XIIID, 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 Enterprise Fund has revenues sufficient to meet the operation and maintenance costs of the wastewater 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. 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.

Certificates of Participation

Revenue Certificates of Participation (COP) 1998 Series A (Wastewater System Project) were issued in the amount of $101,650,000 by the SPFA on February 3, 1998. As of June 30, 2013, certificates totaling $75,665,000 are due in installments ranging from $2,565,000 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 Certificates of Participation issue that financed the design, improvements and modifications to the regional wastewater control facilities. Repayment of the COPs is financed from net revenues pledged by the Wastewater Utility Fund. The principal amount due is reported net of a deferred loss on refunding of $2,564,257 and unamortized discount of $243,290.

Revenue Certificates of Participation (COP) 1998 Series A (Wastewater System Project) (the"1998A COPs") were issued in the amount of $101,650,000 by the SPFA on February 3, 1998. As of June 30, 2013, certificates totaling $75,665,000 are due in installments of principal ranging from $2,565,000 on September 1, 2013 to $7,325,000 on September 1, 2029, with interest rates ranging from 5.125% to 5.2%. The proceeds of the 1998 issue were used to finance the design and construction of a sewer interceptor, to make improvements and modifications to the southern industrial sewer trunk line, and to refund the 1995 Certificates of Participation issue the proceeds of which were used to finance the design, improvements and modifications to the regional wastewater control facilities. Repayment of the COPs is from a pledge of net revenues of the Wastewater Utility Fund. The principal amount due is reported net of a deferred loss on refunding of $2,564,257 and unamortized discount of $243,290.

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

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, 2013 certificates totaling $8,835,000 are due in installments of principal ranging from $665,000 to $965,000 through September 1, 2023, with interest rates ranging from 3.325% 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 Utility Fund. The principal amount due is reported net of an unamortized discount of $107,083.

The City has pledged future net revenues from the Wastewater Utility Fund for the repayment of the COPs. For the year ended June 30, 2013, the City paid principal and interest of $7,377,088 from net revenues in fiscal year 2013 and net revenues were $20,893,209. The total principal and interest remaining to be paid on the Wastewater Utility COPs is $126,228,762.

Wastewater utility rates have been increased through a proposition 218 vote that passed in August 2010, are being raised to cover increased operating costs and meet required coverage ratios. The rate increases are phased in over a five year period beginning in fiscal year 2010-11 and include an adjustment mechanism to account for inflation. As a result of these efforts, the debt coverage ratio for FY 2012-13 was 2.83.

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, 2013, bonds totaling $31,280,000 are due in installments of principal ranging from $360,000 on September 1, 2012 to $2,950,000 on September 1, 2034, with interest rates ranging from 4.0% to 5.25%, and a final maturity date of September 1, 2034. The 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 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 SPFA pursuant to a Lease Agreement dated as of June 1, 2004 by and between the SPFA, as lessor, and the City, as lessee. The lease payments are to be made by the City for the right to use and occupy the Property, consisting of New Parking Projects and an existing parking facility of the City, and the sites on which such parking facilities are located.

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

Central Parking District, continued

The City utilizes net revenue from the Central Parking District fund to make debt service payments on the bonds. The Central Parking District also maintains surface parking and parking meters throughout the Central Business District and levies a special tax pursuant to the Mello-Roos Community Facilities District Act of 1982. However, under the existing documents these revenues are not pledged as security for the bonds. The leased premises by themselves do not generate enough net revenue to cover debt service on the garages, requiring an annual subsidy from district revenues from the other facilities and special tax revenues.

The principal amount due is reported net of unamortized discount of $50,818. In March 2012, the City defaulted on the 2004 Parking Bond lease payments, and continues to be in default at June 30, 2013. The Bond Trustee pursued the City in litigation to take possession of the City's three parking garages (Note 17).

Under the City's default, debt service has been paid from the funded reserve through September 30, 2013. In March 2013, bond insurance proceeds were used in conjunction with reserves to pay debt service due March 31, 2013. The insurance proceeds through June 30, 2013 was $600,000 and are due on demand and are reflected as addition to the principal portion on the following tables.

The City has negotiated a proposed settlement with NPFG as to the treatment of this obligation in bankruptcy subject to approval by the Court of the 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. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the 2004 Parking Bonds 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.

8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

Marina

Note Payable

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 toward 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 and construction of the facility started during the fiscal year ended June 30, 2009. This project was completed in 2011. The principal remaining to be paid on both the planning and construction loans as of June 30, 2013 is $10,870,821.

The construction note will be repaid under a 30-year repayment schedule at 4.5% interest, and repayment of principal began August 2011. Repayment of the note is secured by a pledge of the gross revenues of the Marina, but such amounts are insufficient to pay 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 revenues to cover operational costs (net of debt service) and the City has subsidized the shortfall in operation expenses. Under the City's chapter 9 bankruptcy filing and pendency plan budget for fiscal year 2012-13 the City did not make payment of the required debt service on August 1, 2012, and again on August 1, 2013 (Note 17). The City does not believe the requirements of the Debt Limit have been satisfied such that the City's General Fund is obligated to make payments on the loan.

The City has negotiated a proposed settlement with DBAW as to the treatment of this obligation in bankruptcy subject to approval by the Court of the 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. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the obligation 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.

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8. LONG-TERM DEBT, Continued

C. *Business-Type Activities, Continued*

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Water Utility Revenue Bonds and Federal Drought Relief Act Loan		Wastewater Utility Certificates of Participation		Central Parking District Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 3,938,789	$ 14,486,842	$ 3,230,000	$ 4,143,138	$ 1,010,000	$ 1,584,716
2015	4,102,728	14,322,152	3,390,000	3,985,729	470,000	1,566,529
2016	4,291,865	14,132,183	3,555,000	3,819,526	530,000	1,545,279
2017	6,542,678	13,863,751	3,730,000	3,642,751	600,000	1,520,516
2018	5,005,000	13,558,378	3,920,000	3,457,154	670,000	1,491,941
2019-2023	29,110,000	62,964,477	22,695,000	14,189,398	4,605,000	6,869,239
2024-2028	36,795,000	52,136,710	29,700,000	7,738,886	7,325,000	5,344,263
2029-2033	47,230,000	37,582,529	14,280,000	752,180	10,980,000	3,011,691
2034-2038	63,045,000	18,517,055	-	-	5,690,000	304,238
2039-2043	58,350,000	880,445	-	-	-	-
Total	$ 258,411,060	$ 242,444,522	$ 84,500,000	$ 41,728,762	$ 31,880,000	$ 23,238,412

Year Ending June 30,	Marina Note Payable	
	Principal	Interest
2014	$ 412,313	$ 992,053
2015	203,318	481,383
2016	212,677	472,024
2017	221,170	463,531
2018	232,646	452,055
2018-2022	1,332,772	2,090,733
2023-2027	1,669,170	1,754,335
2028-2032	2,089,857	1,333,648
2033-2037	2,618,427	805,078
2038-2042	1,878,471	175,596
Total	$ 10,870,821	$ 9,020,436

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 2014 of $30,870,000 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.

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8. LONG-TERM DEBT, Continued

D. *Fiduciary Fund*

Summary of changes in fiduciary fund activities long-term debt for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current	Non-Current
Successor Agency to the Redevelopment Agency:						
Revenue Bonds:						
Series 2004 (Stockton Events Center-Arena)	$ 45,590,000	$ -	$ (455,000)	$ 45,135,000	$ 520,000	$ 44,615,000
2006 Series A (Redevelopment Projects)	52,415,000	-	(310,000)	52,105,000	890,000	51,215,000
2006 Series B (Redevelopment Projects)	2,335,000	-	(1,355,000)	980,000	980,000	-
2006 Series C (Housing Projects)	24,355,000	-	(475,000)	23,880,000	500,000	23,380,000
Unamortized premium	3,140,934	-	(126,560)	3,014,374	126,560	2,887,814
Total Successor Redevelopment Agency	$ 127,835,934	$ -	$ (2,721,560)	$ 125,114,374	$ 3,016,560	$ 122,097,814

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 and with a seating capacity of approximately 10,000. As of June 30, 2013, bonds totaling $45,135,000 are due in installments of principal ranging from $520,000 on September 1, 2013 to $4,035,000 on September 1, 2036, with interest rates ranging from 3.000% to 5.00%, and a final maturity date of September 1, 2036. The 2004 Arena Bonds are insured by National Public Finance Guaranty ("NPFG") and have a cash reserve fund. The principal amount due is reported net of unamortized premium of $1,169,834

The 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 to the Successor Agency pursuant to a Lease Agreement dated as of March 1, 2004 between the Successor Agency, as lessor, and the City, as lessee and a pledge of payments to be made by the Successor Agency from Tax Revenues derived from the Project Area, 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 pledge agreement provides security for the Bonds from tax increment revenues derived from the Project Area pursuant to and under Article 6 of Chapter 6 of Part 1 of Division 24 of the California Health and Safety Code. 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. To the extent pledge payments are applied to pay debt service on the Bonds, there will be a corresponding reduction in the lease payments.

8. LONG-TERM DEBT, Continued

D. *Fiduciary Activities, Continued*

Successor Redevelopment Agency, Continued

The leased premises are an indoor arena ('the Arena") with a seating capacity of approximately 10,000. It is part of the Stockton Events Center (the "Events Center") project which also 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. The Events Center, including the Arena, is located in downtown Stockton on approximately twenty-four acres immediately north of and adjacent to the Stockton Channel and within the Waterfront Project Area.

Prior to the dissolution of redevelopment in California, the City used tax increment from the Merged Waterfront Project Area to service the debt. After dissolution, the pledge for repayment is being honored from a combination of the pledged tax increment in the West End Project Area and a 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, 2013, principal and interest paid was $2,570,687 and project area tax increment was $4,144,139, however, only the West end pledge remains and there was a shortfall in revenues needed to make the debt service payment due on September 1, 2012, even after the pro-rata share mentioned above was applied. The debt service reserve fund was accessed to make the payment and future revenues will reimburse the reserve holdings as they are available. The total principal and interest remaining to be paid on the Revenue Bonds, Series 2004 is $79,746,519. As mentioned above, the Successor Agency to the Redevelopment Agency of the City defaulted on this obligation effective September 1, 2013 (Note 18).

The City has negotiated a proposed settlement with NPFG as to the treatment of this obligation in bankruptcy subject to approval by the Court of the 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. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 the 2004 Arena Bonds 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.

8. LONG-TERM DEBT, Continued

D. *Fiduciary Activities, Continued*

Successor Redevelopment Agency, Continued

Revenue Bonds Series 2006 (Strong Neighborhoods Initiative)

The SPFA issued Revenue Bonds (Redevelopment Projects), 2006 Series A, Taxable Revenue Bonds (Redevelopment Projects, 2006 Series B and the Taxable Revenue Bonds (Housing Projects, 2006 Series C (the "SNI Bonds") in the amount of $75,755,000 on July 12, 2006. As of June 30, 2013, bonds totaling $52,105,000 are due in installments of principal ranging from $890,000 on September 1, 2013 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 $1,844,540.

The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a portion of three loans (collectively, the Redevelopment Loans) made pursuant to three loan agreements (the Redevelopment Agreement) between the SPFA and the 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 Bonds was used to finance certain redevelopment projects within or of benefit to the Midtown, North Stockton, and South Stockton Redevelopment Projects. The Bonds 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 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, 2013, bonds totaling $980,000 remain outstanding with the final installment of principal due on September 1, 2013 with an interest rate of 6.10%.

The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a portion of the Redevelopment Loans made pursuant to the Redevelopment Agreements. The portion of each Redevelopment Loan allocable to the Series B Bonds was used by the Agency to finance certain redevelopment projects within or of benefit to the Midtown, North Stockton, and South Stockton Redevelopment Projects. The Bonds are special obligations of the former and Successor Redevelopment Agency's payable from tax increment revenues from the Midtown, North Stockton, and South Stockton Redevelopment Project Areas.

The B series bonds were paid off on September 1, 2012, and shortfalls in the North project area necessitated use of unused project funds to pay bond holders.

8. LONG-TERM DEBT, Continued

D. *Fiduciary Activities, Continued*

Successor Redevelopment Agency, Continued

The Taxable 2006 Series C from the RDA Bonds were issued in the amount of $25,985,000 on July 12, 2006. As of June 30, 2013, bonds totaling $23,880,000 are due in installments of principal ranging from $500,000 on September 1, 2013 to $1,720,000 on September 1, 2037, with interest rates ranging from 6.15% to 6.87%.

The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a loan (the Housing Loan) made pursuant to a loan agreement, dated July 1, 2006, by and among the SPFA, the Agency and the Trustee (the Housing Loan Agreement). The Housing Loan was used by the Agency to finance certain low and moderate income housing projects throughout the City of Stockton. The Bonds are special obligations of the Agency payable from the low and moderate income housing allocation.

The RDA Bonds for 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. As mentioned above, the Successor Agency to the City of Stockton defaulted on a portion of the Series A for the 2006 RDA Bonds on September 1, 2013 (Note 18)

The City does not expect the chapter 9 filing or related actions by the City to directly impact repayment of the SNI Bonds. 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 Proposed Plan is subject to Confirmation by the Court pursuant to the provisions of the Bankruptcy Code, however, and remains subject to change. The City expects to file an additional modification to the Proposed Plan prior to that time to reflect new 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 to certain of the City's obligations 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.

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8. LONG-TERM DEBT, Continued

D. *Fiduciary Activities, Continued*

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Successor Agency to the Redevelopment Agency Revenue Bonds	
	Principal	Interest
2014	$ 2,890,000	$ 6,401,376
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
2019-2023	17,110,000	26,654,763
2024-2028	23,735,000	21,715,814
2029-2033	30,870,000	14,433,976
2034-2038	36,610,000	4,790,473
Total	$ 122,100,000	$ 98,361,426

8. LONG-TERM DEBT, 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 (local improvement districts) (LIDs) and the issuance of bonds under various public improvement acts of the State of California to finance eligible public facilities necessary to serve developing commercial, industrial, residential and/or mixed use developments. The bonds are secured by annual special tax levies or liens placed on the property within the districts.

The City is not liable for repayment and is only responsible for collecting the special taxes or assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from special taxes or assessments, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the City's basic financial statements. As of June 30, 2013, there were eight CFD special tax bonds, three special assessment bonds, and six revenue bonds outstanding with aggregate principal amounts payable of $73,205,000, $21,095,000, and $29,475,000, respectively.

Conduit Debt (No City Commitment) - Revenue bonds, certificates of participation, and capital leases have been issued to provide financial assistance to public and private sector entities for the funding of mortgage loans, capital improvements to medical facilities and refinancing of previously existing debt deemed to be in the public interest. The debt is secured by the property financed and is payable solely from payments received on the underlying assets. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the outstanding debt is not reported as liabilities in the City's basic financial statements. As of June 30, 2013, there were two series of revenue bonds, one certificate of participation, and two leases with an aggregate principal amount payable of $28,255,541.

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. The exclusion of sick time accruals were intentionally omitted from this calculation due to guidance from the new negotiated bargaining unit contracts that were in place in fiscal 2012-13. This revised calculation states that all sick time accrual has no cash value.

A liability for these above mentioned accrual amounts is presented in the government-wide and proprietary fund financial statements. The changes in Compensated Absences of governmental and business-type activities were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$ 14,750,553	$ 733,670	$ 15,484,223
Additions	5,751,032	1,391,962	7,142,994
Payments	(9,715,576)	(1,256,105)	(10,971,681)
Ending Balance	$ 10,786,009	$ 869,527	$ 11,655,536
Current Portion	$ 5,457,188	$ 600,841	$ 6,058,029
Non-Current Portion	$ 5,328,821	$ 268,686	$ 5,597,507

10. FUND BALANCES

A summary of the composition of the City's reported nonspendable, restricted, committed, assigned and unassigned fund balance amounts as reported in the City's Governmental Funds balance sheet at June 30, 2013 is as follows:

	General Fund	HOME Program Loans	Low-Moderate Income Housing City Loans	Capital Improvement	Other Governmental	Total Governmental Funds
Fund balances:						
Nonspendable:						
Inventories	$ 409,199	$ -	$ -	$ -	$ -	$ 409,199
Prepaid expense	-	-	-	-	64,931	64,931
Advance deposits	-	-	-	-	304,314	304,314
Total Nonspendable	409,199	-	-	-	369,245	778,444
Restricted for:						
DS/SC Invest-Dept Boat/Water	1,100,000	-	-	-	-	1,100,000
Section 108 Loan	1,234,046	-	-	-	-	1,234,046
Community development	-	-	-	-	15,410,646	15,410,646
Debt service reserve	-	-	-	-	2,456,671	2,456,671
General government	-	-	-	1,688,705	1,356,479	3,045,184
Housing	-	337,609	3,049,135	-	7,614,910	11,001,654
Libraries and arts	-	-	-	556,550	9,370,218	9,926,768
Parks and recreation	-	-	-	-	5,403,477	5,403,477
Public safety	-	-	-	-	4,404,486	4,404,486
Public service	-	-	-	-	-	-
Redevelopment	-	-	-	-	-	-
Solid waste/recycling	-	-	-	-	1,929,657	1,929,657
Streets, transit & traffic	-	-	-	118,647	27,210,555	27,329,202
Total Restricted	2,334,046	337,609	3,049,135	2,363,902	75,157,099	83,241,791
Committed for:						
Bankruptcy	19,267,619	-	-	-	-	19,267,619
General government operations	4,507,290	-	-	-	-	4,507,290
Total Committed	23,774,909	-	-	-	-	23,774,909
Assigned for:						
General government operations	1,709,994	-	-	-	-	1,709,994
Total Assigned	1,709,994	-	-	-	-	1,709,994
Unassigned:	3,093,428	-	-	-	(18,793,311)	(15,699,883)
Total Fund Balances	$ 31,321,576	$ 337,609	$ 3,049,135	$ 2,363,902	$ 56,733,033	$ 93,805,255

11. RETIREMENT PLANS

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

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 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 of the City of Stockton is for sworn Police and Fire employees. Sworn Safety employees are eligible for retirement at age 50 or older with a minimum of five years CalPERS service.

Funding Policy - Safety Plan participants are required to contribute 9% of their annual covered salary. Until July 1, 2011, as part of the City employees' benefit package, the City paid the employees' contribution. Subsequent to July 1, 2011, the employees began paying the participants share of 9%. The City is required to contribute at an actuarially determined rate. The rate for Safety Plan members was 31.790% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost - For the year ended June 30, 2013, the City's Safety Plan annual pension costs were $17,926,756. The annual pension costs were more than the City's required and actual contributions of $12,381,714 due to positive interest earnings on the net pension asset offset by a negative adjustment to the annual required contribution. This was due to a declining active payroll percentage contribution. The required contribution rates were determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.55% to 13.15%; (c) inflation of 3.00%; and (d) payroll growth of 3.25%. 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, 2010, the remaining average amortization period was 28 years for the Safety Plan.

11. RETIREMENT PLANS, Continued

SAFETY PLAN, Continued:

Funded Status and Funding Progress - As of June 30, 2012, the Safety Plan was 82.6% funded. The actuarial accrued liability for benefits was $830,640,184. The actuarial value of assets was $685,764,728 resulting in an unfunded actuarial accrued liability (UAAL) of $144,275,456. The covered payroll (annual payroll of active employees covered by the plan) was $44,759,135, and the ratio of the UAAL to covered payroll was 322.3%.

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 7). 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 pension asset balance at June 30, 2013 is $84,773,862 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, 2013, were as follows:

Annual required contribution	$ 19,174,627
Interest on beginning net pension asset	(6,999,715)
Adjustment to the annual required contribution	5,751,844
Annual pension cost	17,926,756
Contributions made	12,381,714
Less: annual pension cost	(17,926,756)
Change in pension asset	(5,545,042)
Pension asset, beginning of the year	90,318,904
Pension asset, end of the year	$ 84,773,862

11. RETIREMENT PLANS, Continued

SAFETY PLAN, Continued:

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Pension Asset
6/30/2011	12,996,540	12,703,252	98%	94,341,571
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

MISCELLANEOUS PLAN:

Plan Description - The Miscellaneous Plan of the City of Stockton 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.

Funding Policy - Miscellaneous Plan participants are required to contribute 7% of their annual covered salary. Until July 1, 2011, as part of the City employees' benefit package, the City paid the employees' contribution. Subsequent to July 1, 2011, the employees began paying the participants share of 7%. The City is required to contribute at an actuarially determined rate. The rate for Miscellaneous Plan members was 16.881% of annual covered payroll for the fiscal year ended June 30, 2013. The contribution requirements of the plan members and the City are established by CalPERS and may be amended.

Annual Pension Cost - For the year ended June 30, 2013, the City's Miscellaneous Plan annual pension costs were $10,031,522. The annual pension costs were more than the City's required and actual contributions of $8,329,372 due to positive interest earnings on the net pension asset offset by a negative adjustment to the annual required contribution. This was due to a declining active payroll percentage contribution. The required contribution rates were determined as part of the June 30, 2010 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.55% to 14.45%; (c) inflation of 3.00%; and (d) payroll growth of 3.25%. 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, 2010, the remaining average amortization was 22 years for the Miscellaneous Plan.

Funded Status and Funding Progress - As of June 30, 2012, the most recent valuation date, the Miscellaneous Plan was 88.5% funded. The actuarial accrued liability for benefits was $584,540,872 and the actuarial value of assets was $517,244,333 resulting in unfunded actuarial accrued liabilities (UAAL) of $67,296,539. The covered payroll (annual payroll of active employees covered by the plan) was $50,208,946 and the percentage of the UAAL to covered payroll was 134%.

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 7). 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, 2013 is $28,814,455 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, 2013, were as follows:

Annual required contribution	$ 10,453,148
Interest on beginning net pension asset	(2,365,037)
Adjustment to the annual required contribution	1,943,411
Annual pension cost	10,031,522
Contributions made	8,329,372
Less: annual pension cost	(10,031,522)
Change in pension asset	(1,702,150)
Pension asset, beginning of the year	30,516,605
Pension asset, end of the year	$ 28,814,455

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Pension Asset
6/30/2011	$ 9,755,736	$ 7,484,660	77%	$ 33,812,481
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

11. RETIREMENT PLANS, Continued

ENHANCEMENT PLAN:

Plan Description - The City of Stockton 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 of Stockton 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 rate. The rate for members of the REP was 14.16% of annual covered payroll. 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, 2013, the City's REP annual pension costs were $761,087 and the City's contributions were $736,445. 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 3.85% to 12.65%; (c) inflation of 3.0%; (d) payroll growth of 3.0%. The actuarial value of the REPs assets were 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 May 14, 2013, the remaining amortization period as of June 30, 2012 was 14.67 years.

Funded Status and Funding Progress - The REP began on March 1, 2008. As of June 30, 2012, the most recent actuarial valuation date, the REP was 40% funded. The actuarial accrued liability (AAL) for benefits was $8,346,437 and the actuarial value of plan assets was $3,338,831, resulting in an unfunded actuarial accrued liability (UAAL) of $5,007,606. The covered payroll (annual payroll of active employees covered by the REP) was $3,970,538 and the percentage of the UAAL to covered payroll was 126.12%.

11. RETIREMENT PLANS, Continued

ENHANCEMENT 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.

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 736,445	$ 842,523	114%	$ -
6/30/2012	736,445	736,445	100%	-
6/30/2013	761,087	736,445	97%	24,642

The following is a summary of the Net Pension Asset by pension plan at June 30, 2013:

Retirement Plans:	
Safety Plan	$ 84,773,862
Miscellaneous Plan	28,814,455
Enhancement Plan	-
Total	$ 113,588,317

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 up to $1,000,000 for each general liability claim, $500,000 for each workers' compensation claim and $350,000 for each medical plan member under the health benefits program. The City purchases stop loss coverage for the health benefits program from Union Labor Life Insurance Company up to a maximum of $1,000,00 per Original Plan member and $2,000,000 per Modified Plan member. The City's coverage for excess claims for general liability and workers' compensation is discussed later in this note under risk pools. The workers' compensation and health benefits programs are administered by third-party claims administrators. The general liability program is self-administered by the City of Stockton.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Internal Service Funds, under the title, *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 various funds and revenues in the internal service insurance funds.

12. RISK SERVICES, Continued

Charges for general liability and workers' compensation insurances are a percentage of payroll, and the charge for health benefits is a monthly dollar amount for all active occupied positions.

The City contracts with independent actuaries to perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based upon past experience, modified for current trends and information. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is recognized at a 70% confidence level, using a 1.33% discount rate to reflect future investment earnings. Prior to 2006, it had been the City's practice to report the undiscounted expected value of estimated unpaid claims liabilities. While the ultimate amounts of losses incurred through June 30, 2013 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to recognize such losses. There have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded coverage each of the past three years. During this fiscal year the City's self-insured retention under the health benefits program was $350,000.

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

	General Liability	Workers' Compensation	Health Benefits	Total
Balance, June 30, 2011	$ 6,487,563	$ 53,308,908	$ 4,079,400	$ 63,875,871
Claims incurred	2,523,401	12,494,578	30,377,122	45,395,101
Claims paid	(639,552)	(7,787,514)	(30,373,022)	(38,800,088)
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

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 in place above the $5 million up to $40 million. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, errors and omissions, physical automobile damage and certain other coverage.

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, 2013 can be obtained from CJPRMA at 3201 Doolan Road, Suite #285, Livermore, California 94551.

Workers' Compensation Insurance – The City of Stockton has been self-funded for its Worker's Compensation Program since 1979. In July 2003, in an effort to stabilize and control its costs of access to workers' compensation coverage, the City joined California Public Entity Insurance Authority (CPEIA), a public entity risk pool which operated an Excess Workers' Compensation (EWC) Program. CPEIA has since merged into an existing authority known as California State Association of Counties Excess Insurance Authorities (CSACEIA). The City's self-insured retention is currently set at $500,000 per occurrence. Losses above the City's SIR are pooled up to $4 million per occurrence by the Authority. Statutory coverage for losses above $5 million are covered by reinsurance and excess insurance policies.

CSACEIA was formed in 1979 by 29 California counties for the purpose of pooling risk and providing a viable and cost effective solution for the counties' insurance and risk management needs. It has since expanded to allow admittance from cities and other entities and currently includes 93% of the counties in California, nearly 61% of the cities, as well as, numerous school districts, special districts, housing authorities and other Joint Powers Authorities.

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.

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 was eliminated and City-paid retiree health benefits were reduced to a dollar subsidy based on service. The effect of both of these will be reflected in numbers included in this disclosure.

Plan Description - The City of Stockton'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.

13. POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Funding Policy - The City's subsidy (contributions) is paid by City departments and is based on amounts established in the City's Annual Budget. For the 2012-13 year, the City's contributions were financed on a pay-as-you-go basis. During the year, City contributions of approximately $3,373,433 were recognized for payment of post-employment health care benefits. Retirees and active employees paid approximately $11,251,712 toward the cost of post-employment health care benefits. 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 components of 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, 2013 were as follows:

Annual required contribution (ARC)	$ 20,160,213
Interest on net OPEB obligation	5,559,030
Adjustment to the annual required contribution	(8,331,013)
Annual OPEB cost (AOC)	17,388,230
Contributions made	(15,251,712)
Increase in net OPEB obligation	2,136,518
Net OPEB Obligation at June 30, 2012	123,534,000
Net OPEB Obligation at June 30, 2013	$ 125,670,518

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, 2013 are as follows:

Fiscal Year	Annual OPEB Cost (AOC)	Percentage of Annual OPEB Contributed	OPEB Obligation
6/30/2013	$ 17,388,230	88%	$ 125,670,518
6/30/2012	31,974,000	45%	123,534,000
6/30/2011	42,978,000	30%	105,887,000

Funded Status and Funding Progress - As of June 30, 2012 (the most recent actuarial valuation date), the actuarial accrued liability for benefits was $298,939,848 and the actuarial value of plan assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $298,939,848. The covered payroll (annual payroll of active employees covered by the plan that included data through June 30, 2012) and the ratio of the UAAL to the covered payroll were not applicable as the City eliminated post-employment health benefits for future retirees.

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, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) 4.5% 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 if 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, 2013 is 24 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.

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, 2013 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. Estimable costs are for consultant, legal and City personnel costs for cleanup of the site. Ongoing post-remediation monitoring costs are not reasonably estimable. The net pollution remediation liability of this site as of June 30, 2013 was $902,500, which included reasonably estimable 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. Estimable 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 are not reasonably estimable. The net pollution remediation liability of this site as of June 30, 2013 was $434,515, which included reasonably estimable recovery of costs by the responsible party.

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. Estimable 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 are not reasonably estimable. The net pollution remediation liability of this site as of June 30, 2013 was $490,000, which included reasonably estimable 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.

Estimable 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 reasonably estimable recovery of post-remediation/monitoring costs by the responsible parties. The net liability of Area 3 as of June 30, 2013 is 395,000 which included reasonably estimable recovery of costs by the responsible party and adjustments in the estimate during fiscal year 2011 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, 2013 remains at $55,000. The net pollution remediation liability for Area 24 as of June 30, 2013 was $540,000, which included reasonably estimable recovery of costs by the responsible party.

The total estimated net pollution remediation liability for the six sites in the amount of $2,817,015, which included reasonably estimable recovery of costs by the responsible parties, is reported in the Successor Agency as of June 30, 2013. During the year ended June 30, 2013, the Agency incurred $925,118 in related pollution remediation outlays and adjustments to future outlays, and recoveries for the polluted sites.

15. INDIVIDUAL FUND DISCLOSURES

A. *Deficit Fund Balances*

At June 30, 2013, the following funds had net positions or fund balance deficits:

Fund	Fund Type	Deficit
Stockton Public Financing Authority	Non-Major Governmental - Special Revenue Fund	$ 16,336,640
General Liability Insurance	Internal Service Fund	$ 2,383,380
Workers' Compensation Insurance	Internal Service Fund	$ 37,171,210
Employee and Retiree Health Insurance	Internal Service Fund	$ 120,714,865
Retirement Benefits	Internal Service Fund	$ 15,660,447

- The Stockton Public Financing Authority Debt Service Fund has a deficit fund balance of ($16,336,640) as of June 30, 2013. The liabilities were previously recorded in the General Fund ($7,502,935) and Capital Improvement Fund ($11,638,257). The General Fund and Capital Improvement Fund are to transfer monies to the SPFA to pay the settlement.

- General Liability Insurance Fund has an accumulated deficit fund balance of ($2,383,380) as of June 30, 2013. 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 ($5,701,314) for claims and judgments while the cash balance of the fund as of June 30, 2013 is ($5,714,860). 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 ($37,171,211) as of June 30, 2013. 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 ($44,020,319) for claims and judgments while the cash balance of the fund as of June 30, 2013 is $8,521,824. The City has increased rates in Fiscal Year 2012-13 to help fund the accumulated deficit over time.

- The Employee and Retiree Health Insurance Fund has an accumulated deficit fund balance of ($120,714,865) as of June 30, 2013. 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 $2,067,156 due to the reduction in operating expenses. The Fund had a cash balance of $5,731,351 as of June 30, 2013. 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.

15. INDIVIDUAL FUND DISCLOSURES, Continued

A. *Deficit Fund Balances, Continued*

- The Retirement Benefits Fund has an accumulated deficit fund balance of ($15,660,447) as of June 30, 2013. The City budgets revenues and projects expenses in the on a cash basis. On an accrual basis of accounting, the Fund has a long-term liability for Pension obligation bonds of ($121,770,000). The Fund had a cash balance of $3,035,568 as of June 30, 2013.

B. *Expenditures In Excess Of Appropriations*

- For the year ended June 30, 2011, expenditures exceeded appropriations in the following programs/functions/fund(legal level of budgetary control) of the respective funds:

Funds	Appropriations	Expenditures	Excess Expenditures over Appropriations
Low-Moderate Income Housing City Loans Special Revenue Fund:			
Capital outlay	$ -	$ 211,508	$ (211,508)

The Low-Moderate Income Housing City Loans Fund had expenditures exceed appropriations due to a change in accounting method effective FY2011 on the treatment for recording loan expenditures placed in effect in fiscal year 2011, for which appropriations were not adjusted.

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 reasonably estimable. Amounts for the above mentioned claims, that are not reasonably estimable 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 final total cost for the construction of the City's Delta Water Supply Project is estimated to be approximately $221.5 million. Preston Pipelines Inc., a firm that worked on the DWSP, has filed a lawsuit against the City in September 2013 seeking approximately an additional $3.5 million for extra work on one of the pump station facilities. The City filed a cross-complaint against Preston Pipelines Inc. alleging over $500,000 in liquidated damages. In March 2014, the City settled the lawsuit for $2,675,000 which included amount owed under the construction contract and Preston Pipelines' claims for additional compensation.

The City is self-insured and participates in two public entity risk pools. Details of this are covered in Note 12.

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 adopted 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 the date of agreement would be eligible for the additional hours. The 22 hours would be credited ratably over two years. The first 11 hours in the year the Plan is approved, and the balance in the following fiscal year.

In the event the Plan is not confirmed, the claims are considered as 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.

Capital Commitments

The City is undertaking a number of capital improvement projects, the most significant of which include the following capital project commitments outstanding at June 30, 2013:

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16. COMMITMENTS AND CONTINGENCIES, Continued

		Amount
French Camp/Sperry Rd/ Performance	$	18,749,225
Delta Water Supply Project Conversion		6,957,375
Developer Reimbursements		5,598,041
Arch/Sperry Roadway Extension		4,493,596
Airport Way Beautification PH-IV		1,023,608
Water Untility - Delta Diversion Water Project		831,359
Lower Sac Rd Widening/UPRR		813,631
Eight Mile Rd/UPRR (E) Grade Sep		693,512
Eight Mile Rd/UPRR West Sep		513,345
Total Capital Projects Commitments	$	39,673,692

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16. COMMITMENTS AND CONTINGENCIES, Continued

Operating Leases

Operating lease obligations are primarily for rental of parking facilities space, but other lease obligations are included. The future minimum lease payments required for those operating leases are as follows:

Year Ended June 30,	Amount
2014	$ 931,100
2015	273,941
2016	268,671
2017	281,886
2018	284,163
2019-2023	1,648,685
2024-2028	2,104,181
Total	$ 5,792,627

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 year-end do not constitute expenditures or liabilities.

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 nonspendable, committed, restricted or assigned and are included in the respective functional categories. These encumbrances are not separately classified in the financial statements, and are summarized at June 30, 2013 as follows:

	Amount
General Fund	$ 1,853,417
Capital Improvements	$ 36,108,667
Other Governmental	$ 4,839,425

16. COMMITMENTS AND CONTINGENCIES, Continued

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. The Agreement was entered into upon termination of the agreement with International Facilities Group (IFG), which had been managing the Arena venue since 2004.

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 the service organization is combined with and reported in the General Fund.

Federal and State Grant Programs

The City participates in a number of state and federal grant programs that are subject to financial and compliance audits by the grantors. Audits of certain grant programs for or including the year ended June 30, 2013, 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 anticipating it would yield 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 provides for substantial cuts and elimination of City general fund expenditures in order to continue operations. The most significant of those reductions were the elimination of retiree health benefits and the payments of principal and interest for General Fund supported debt obligations. Both are pending the outcome of the bankruptcy process. 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

17. CHAPTER 9 BANKRUPTCY, Continued

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 finanancial statements as of June 30, 2013.

Several City creditors challenged the City's eligibility to be a Chapter 9 debtor shortly after the City filed for bankruptcy. After a nearly nine month discovery and mediation process and three day trial, the United States Bankruptcy Court Judge on April 1, 2013 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, one bond insurer and its retirees. The City has continued to mediate with the remaining creditors since the eligibility trial with the court appointed mediator. Tentative agreements have been reached with the majority of the City's major creditors and have been incorporated into the City's proposed plan of adjustment, which was filed October 10, 2013 (as amended) with the United States Bankruptcy Court. Since the filing of the plan of adjustment, one creditor has filed an objection to the plan of adjustment. Though the outcome of the bankruptcy and any objections to the Plan the City may receive is uncertain, management is continuing to proceed towards confirmation of the plan of adjustment with its creditors. The City's confirmation hearing began May 12, 2014, before United States Bankruptcy Judge Christopher M. Klein in Sacramento, California and has been continued for one additional scheduled day on June 4, 2014.

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 settlements with all creditors has not been reached and the outcome of the confirmation hearing will not be made by the U.S. Bankruptcy Court until sometime May 2014. The Plan of Adjustment does not contemplate termination of services, discontinuance of operations, or termination of the City.

The full Plan of Adjustment 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. *Remarketing of $55,000,000 Stockton Public Financing Authority Variable Rate Demand Water Revenue Bonds, Series 2010A*

On August 13, 2013, the City Council and Stockton Public Financing Authority ("Authority") authorized the remarketing under the terms of the remarketing agreement for the conversion of $55,000,000 Variable Rate Demand Water Revenue Bonds, Series 2010A ("2010A Bonds") from a variable rate of interest to a fixed rate of interest through the final term of the Bonds (October 1, 2040). The remarketing of the bonds is approved up to a maximum interest rate not to exceed 6.75%.

18. SUBSEQUENT EVENTS, continued

Concurrently with such Conversion, modification of certain terms of the Bonds, the Indenture, and the Installment Purchase Contract will be made. Upon the remarketing of the bonds, there will be a mandatory tender of the existing outstanding bonds on the date of the conversion, under a bond purchase contract among the remarketing agent, the Authority and the City. This transaction is scheduled to close on November 22, 2013 prior to the expiration of the Union Bank Letter of Credit (Note 7C).

B. Passage of Measures A & B ¾ Sales Tax

On July 9, 2013, the Stockton City Council unanimously approved placing a three quarter (3/4) cent sales tax on a November 5, 2013, Special Election ballot. Measures A and B were passed by voters on November 5, 2013 and will go into effect, April 1, 2014. Measure B is a non-binding advisory measure, on the same ballot as Measure A. Measure B provided an opportunity for voters to express an opinion about how the money from the Measure A sales tax will be used. Measure B requires the approval of a majority of those casting votes. Because this is a general tax, the City may legally use tax funds for service restoration. City Council has indicated it will use the tax to increase law enforcement with the hiring of an additional 120 police officers, increase crime prevention services such as those described in Stockton's Marshall Plan on Crime, replenish reserves to prepare for the next recession, restore funds for technology and equipment replacement, fund our bankruptcy exit plan, and any other legal purpose.

Measure A is projected to raise approximately $6.8 million in the fiscal year ending June 30, 2014. It is anticipated that the City would realize a benefit of approximately $28 million per year in the first full fiscal year, July 1, 2014 through June 30, 2015, and in each future fiscal year.

C. Bond Rating Changes

On September 5, 2013, Fitch upgraded the ratings on the following obligations from "BB+" to "BBB".

- 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, 2013, Fitch upgraded the ratings on the following obligations from "BB+" 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)

18. SUBSEQUENT EVENTS, Continued

C. Bond Rating Changes, Continued

On October 14, 2013, Moody's downgraded the ratings on the following obligations from "Caa3" to "Ca".

- City of Stockton 2007 Taxable Pension Obligation Bonds, Series A
- City of Stockton 2007 Taxable Pension Obligation Bonds, Series B

On October 25, 2013, Standard and Poor's upgraded the ratings on the following obligations from "C" to "CC".

- Redevelopment Agency of the City of Stockton 2004 Revenue Bonds (Stockton Events Center- Arena Project)
- 2003 City of Stockton Certificates of Participation, Series A and Series B
- Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A

On November 25, 2013, Standard and Poor's upgraded the ratings on the following obligations from "BB+" 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 25, 2013, Standard and Poor's upgraded the ratings on the following obligations from "BB+" to "A-".

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

On December 9, 2013, Standard and Poors removed its underlying rating on the following obligations.

- •Stockton Public Financing Authority, Lease Revenue Bonds, Series 2004 (Parking and Capital Projects)
- Stockton Public Financing Authority, Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects)

On December 18, 2013, Standard and Poors Ratings Services reinstated the D rating on the above mentioned obligations.

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18. SUBSEQUENT EVENTS, Continued

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.

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CITY OF STOCKTON

REQUIRED SUPPLEMENTARY INFORMATION

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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.

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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.

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1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - General Fund

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
Property	$ 25,386,000	$ 25,587,100	$ 29,419,524	$ 3,832,424
In lieu of sales tax	9,799,434	9,799,434	9,937,924	138,490
Utility user	31,487,000	31,487,000	31,940,732	453,732
Franchise fees	11,260,700	11,260,700	11,676,524	415,824
Business license	9,235,000	9,235,000	9,168,078	(66,922)
Hotel/motel room	1,811,000	1,811,000	2,005,668	194,668
Document transfer	530,000	530,000	458,431	(71,569)
Other	-	-	287,312	287,312
Licenses and permits	371,825	371,825	384,273	12,448
Intergovernmental:				
Federal grants and subsidies	-	-	2,868	2,868
Sales and use tax - levied by state	29,114,056	29,114,056	29,981,596	867,540
Other governmental	22,924,873	23,256,773	23,196,781	(59,992)
Charges for services	14,126,041	13,834,541	9,193,132	(4,641,409)
Fines and forfeitures	2,249,422	2,249,422	2,393,353	143,931
Use of money and property	3,388,846	3,206,846	7,966,971	4,760,125
Investment income:				
Interest income	103,677	103,677	1,103	(102,574)
Refunds and reimbursements	514,279	514,279	1,748,398	1,234,119
Miscellaneous	4,683,200	4,683,200	3,936,699	(746,501)
Total revenues	166,985,353	167,044,853	173,699,367	6,654,514
EXPENDITURES:				
General government:				
City council	459,112	465,512	455,077	10,435
City manager	995,141	1,012,874	974,961	37,913
City attorney	920,439	862,273	549,152	313,121
City clerk	705,064	712,615	681,549	31,066
City auditor	471,733	597,882	190,431	407,451
Administrative services	3,462,886	3,365,627	3,121,666	243,961
Human resources	1,884,815	1,892,316	1,318,347	573,969
Housing	1,208,847	1,200,378	1,087,879	112,499
Non-departmental	8,320,116	9,940,225	6,623,873	3,316,352
Total general government	18,428,153	20,049,702	15,002,935	5,046,767

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1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - General Fund, Continued

	Budget			Variance with
	Original	Final	Actual	Final Budget
Public safety:				
Police	82,048,753	82,255,173	78,509,355	3,745,818
Fire	36,012,173	36,012,133	34,223,739	1,788,394
Total public safety	118,060,926	118,267,306	112,733,094	5,534,212
Public works	3,003,665	2,895,235	2,771,451	123,784
Library	9,780,716	9,416,914	8,831,292	585,622
Parks and recreation	14,868,985	15,375,872	15,086,783	289,089
Capital Outlay	-	2,403,880	280,612	2,123,268
Total expenditures	164,142,445	168,408,909	154,706,167	13,702,742
DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	2,842,908	(1,364,056)	18,993,200	20,357,256
OTHER FINANCING SOURCES (USES):				
Transfers in	1,271,961	1,271,961	1,071,307	(200,654)
Transfers out	(3,566,265)	(4,208,265)	(3,379,678)	828,587
Total other financing sources (uses)	(2,294,304)	(2,936,304)	(2,308,371)	627,933
NET CHANGE IN FUND BALANCE (GAAP BASIS)	$ 548,604	$ (4,300,360)	16,684,829	$ 20,985,189
BASIS ADJUSTMENT:				
Encumbrances (included in Final Budget above)			(1,853,417) *	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			14,831,412	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			14,636,747	
FUND BALANCE, END OF YEAR			$ 29,468,159	

* Adjusted to Budgetary Basis.

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1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - HOME Program Loans Special Revenue Fund

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Intergovernmental:				
Federal grants and subsidies	$ 1,144,923	$ 3,960,631	$ 3,371,064	$ (589,567)
Use of money and property	-	-	829,040	829,040
Interest income	60,000	60,000	8,749	(51,251)
Miscelllaneous	-	-	-	-
Total revenues	1,204,923	4,020,631	4,208,853	188,222
EXPENDITURES:				
Capital outlay	3,528,976	8,229,495	4,727,379	3,502,116
Total expenditures	3,528,976	8,229,495	4,727,379	3,502,116
DEFICIENCY OF REVENUES OVER EXPENDITURES (GAAP BASIS)	(2,324,053)	(4,208,864)	(518,526)	3,690,338
NET CHANGE IN FUND BALANCE (GAAP BASIS)	$ (2,324,053)	$ (4,208,864)	(518,526)	$ 3,690,338
BASIS ADJUSTMENT:				
Encumbrances			(2,000)	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			(520,526)	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			856,135	
FUND BALANCE, END OF YEAR			$ 335,609	

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1. BUDGETARY INFORMATION, Continued

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

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ -		$ 230,564	$ 230,564
Interest income	3,500	3,500	(1,641)	(5,141)
Miscelllaneous	-	-	206,644	206,644
Total revenues	3,500	3,500	435,567	432,067
EXPENDITURES:				
General government	-	-	-	-
Capital outlay	-	-	211,508	(211,508)
Debt service:				-
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	211,508	(211,508)
DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	3,500	3,500	224,059	220,559
OTHER FINANCING SOURCES (USES):				
Transfers in	64,004	2,222,190	-	(2,222,190)
Transfers out	(67,504)	(2,246,364)	(230,820)	2,015,544
Total other financing sources (uses)	(3,500)	(24,174)	(230,820)	(206,646)
SPECIAL ITEM	-	-	-	-
NET CHANGE IN FUND BALANCE (GAAP BASIS)	-	(20,674)	(6,761)	13,913
BASIS ADJUSTMENT:				
Encumbrances			-	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			(6,761)	
FUND BALANCE, BEGINNING OF YEAR AS ADJUSTED			3,055,896	
FUND BALANCE, END OF YEAR			$ 3,049,135	

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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)

Valuation Date	Entry Age 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)
6/30/2012	$ 830,040	$ 685,765	$ 144,275	83%	$ 44,759	322%
6/30/2011	802,778	685,733	117,045	85%	50,961	230%
6/30/2010	758,326	662,602	95,724	87%	54,798	175%

Miscellenous Plan (in thousands)

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

Valuation Date	Entry Age 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)
6/30/2012	$ 584,541	$ 517,244	$ 67,297	88%	$ 50,209	134%
6/30/2011	568,823	513,963	54,860	90%	53,670	102%
6/30/2010	548,130	495,326	52,804	90%	56,256	94%

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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)
6/30/2012	$ 8,346	$ 3,339	$ 5,007	40%	$ 3,971	126%
6/30/2010	7,079	1,643	5,436	23%	5,200	105%
3/1/2008	4,846	-	4,846	0%	5,740	84%

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)
6/30/2013	$ 298,940	$ -	$ 298,940	0%	$ -	0%
6/30/2011	416,738	-	416,738	0%	102,040	408%
6/30/2009	543,702	-	543,702	0%	107,679	505%

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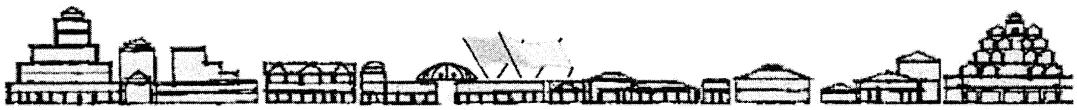
CITY OF STOCKTON



NONMAJOR GOVERNMENTAL FUNDS

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

Neighborhood Stabilization Loan Program Fund
To account for the City's Neighborhood Stabilization Loan Program that provides loans to non-profit housing developers to acquire and rehabilitate abandoned and foreclosed homes, and provides down payment assistance to qualified low- and moderate-income households who purchase from the non-profit organization authorized under the NSLP program as authorized by Division B, Title 111 of the U.S. Housing and Economic Recovery Act (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. Rental revenues from the building tenants and all other revenues are restricted for expenditures towards the building's maintenance and operations.

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 is 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.

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City of Stockton
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
ASSETS				
Cash and investments	$ 158,212	$ 1,892,489	$ -	$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables, net:				
Interest	-	-	-	-
Accounts and other	539,388	49,751	-	-
Due from other governments, net	984,009	-	3,404,256	6,868,381
Prepaid expenses	-	-	-	-
Loans to other funds, net	-	-	-	-
Loans to property owners, net	-	-	-	-
Total assets	$ 1,681,609	$ 1,942,240	$ 3,404,256	$ 6,868,381
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 224,584	$ 10,323	$ 464,165	$ 31,762
Due to other funds	-	-	1,850,243	549,042
Due to other governments	168,345	-	-	-
Deposits and other liabilities	-	2,260	-	-
Deferred revenue	377,021	-	-	285,223
Settlement payable	-	-	-	-
			-	
Total liabilities	769,950	12,583	2,314,408	866,027
FUND BALANCES (DEFICIT):				
Nonspendable	-	-	-	-
Restricted	911,659	1,929,657	1,089,848	6,002,354
Unassigned	-	-	-	-
Total fund balances (deficit)	911,659	1,929,657	1,089,848	6,002,354
Total liabilities and fund balances (defici	$ 1,681,609	$ 1,942,240	$ 3,404,256	$ 6,868,381

Special Revenue				
Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grant / Loans Program
$ 620,627	$ 13,087,968	$ 1,229,379	$ 3,212,713	$ 134,946
-	-	-	-	1,258,365
-	-	-	-	96
-	9,172	8,851	-	-
1,716,615	-	279,642	-	1,212,806
-	-	-	-	-
-	-	-	-	-
-	-	20,075,458	7,174,126	-
$ 2,337,242	$ 13,097,140	$ 21,593,330	$ 10,386,839	$ 2,606,213
$ 56,210	$ 246,805	$ 146,999	$ 16,465	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	20,075,458	7,174,126	-
-	-	-	-	-
56,210	246,805	20,222,457	7,190,591	-
-	-	-	-	-
2,281,032	12,850,335	1,370,873	3,196,248	2,606,213
-	-	-	-	-
2,281,032	12,850,335	1,370,873	3,196,248	2,606,213
$ 2,337,242	$ 13,097,140	$ 21,593,330	$ 10,386,839	$ 2,606,213

CITY OF STOCKTON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2013

	Special Revenue			Capital Projects
	City Administration Building	Development Services	Other Special Revenue	Public Facilities Impact Fees
ASSETS				
Cash and investments	$ 19,094	$ 2,766,060	$ 1,897,088	$ 34,439,149
Cash and investments with fiscal agents	-	-	-	193,019
Receivables, net:				
Interest	-	-	-	12
Accounts and other	43,317	415,852	204	610,707
Due from other governments, net	-	-	-	-
Prepaid expenses	64,931	-	-	-
Loans to other funds, net	-	-	-	1,275,218
Loans to property owners, net	-	-	3,302,680	-
	$ 127,342	$ 3,181,912	$ 5,199,972	$ 36,518,105
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 3,000	$ 94,502	$ 7,999	$ 244,955
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	347,436	-	-
Deferred revenue	-	179,663	3,302,680	554,438
Settlement payable	-	-	-	-
Total liabilities	3,000	621,601	3,310,679	799,393
FUND BALANCES (DEFICIT):				
Nonspendable	64,931	-	-	-
Restricted	59,411	2,560,311	1,889,293	35,718,712
Unassigned	-	-	-	-
Total fund balances	124,342	2,560,311	1,889,293	35,718,712
Total liabilities and fund balances (deficit)	$ 127,342	$ 3,181,912	$ 5,199,972	$ 36,518,105

Debt Service	Permanent	
Stockton Public Financing Authority	Miscellaneous	Totals
$ 551,780	$ 538,521	$ 60,548,026
1,973,499	-	3,424,883
125	981	1,214
-	-	1,677,242
-	-	14,465,709
-	-	64,931
-	-	1,275,218
-	-	30,552,264
$ 2,525,404	$ 539,502	$ 112,009,487
$ 68,733	$ 706	$ 1,617,208
-	-	2,399,285
-	-	168,345
-	-	349,696
-	-	31,948,609
18,793,311	-	18,793,311
18,862,044	706	55,276,454
-	304,314	369,245
2,456,671	234,482	75,157,099
(18,793,311)	-	(18,793,311)
(16,336,640)	538,796	56,733,033
$ 2,525,404	$ 539,502	$ 112,009,487

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CITY OF STOCKTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
REVENUES:				
Taxes:				
Sales - levied by City	$ -	$ -	$ -	$ -
Business licenses	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	2,210,551	-	-	-
Sales and use tax - levied by state	-	-	-	4,049,782
Other governmental	2,543,630	-	6,622,656	18,031,640
Charges for services	769,362	-	7,558	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Investment income:				
Interest income	333	2,597	18,092	9,109
Refunds and reimbursements	-	-	15,535	-
Miscellaneous	-	1,337,967	-	-
Total revenues	5,523,876	1,340,564	6,663,841	22,090,531
EXPENDITURES:				
Current:				
General government	1,269,802	-	-	-
Public safety	3,135,793	-	-	-
Public works	-	1,344,419	9,196,910	-
Library	69,374	-	-	-
Parks and recreation	21,189	-	59,067	-
Capital outlay	317,357	-	-	534,810
Debt service:				
Principal retirement	-	-	-	1,194,878
Interest and fiscal charges	-	-	-	82,181
Total expenditures	4,813,515	1,344,419	9,255,977	1,811,869
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	710,361	(3,855)	(2,592,136)	20,278,662
OTHER FINANCING SOURCES (USES):				
Transfers in	34,409	418	1,905,060	-
Transfers out	-	-	-	(20,754,312)
Bond insurers proceeds	-	-	-	-
Total other financing sources (uses)	34,409	418	1,905,060	(20,754,312)
NET CHANGE IN FUND BALANCES	744,770	(3,437)	(687,076)	(475,650)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	166,889	1,933,094	1,776,924	6,478,004
FUND BALANCES (DEFICITS), END OF YEAR	$ 911,659	$ 1,929,657	$ 1,089,848	$ 6,002,354

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Special Revenue				
Measure W Public Safety Tax	Special Assessments	CDBG Programs	Neighborhood Stabilization Loan Program	Housing Grant / Loans Program
$ 9,085,896	$ -	$ -	$ -	$ -
-	984,682	-	-	-
-	-	-	-	-
-	-	4,330,471	2,713,175	621,320
-	-	-	-	-
-	-	-	-	-
-	3,188,929	1,376	-	-
-	-	-	-	-
-	-	327,394	4,354,462	-
(3,577)	13,761	(2,708)	(2,121)	2,067
-	-	-	-	-
-	-	-	-	-
9,082,319	4,187,372	4,656,533	7,065,516	623,387
-	962,565	-	-	-
7,751,072	-	-	-	-
-	184,976	-	-	-
-	-	-	-	-
-	2,559,331	-	-	-
-	-	1,945,592	4,745,220	662,336
-	-	1,250,000	-	-
-	-	957,670	-	-
7,751,072	3,706,872	4,153,262	4,745,220	662,336
1,331,247	480,500	503,271	2,320,296	(38,949)
-	31,037	-	-	-
-	-	-	-	-
-	-	-	-	-
-	31,037	-	-	-
1,331,247	511,537	503,271	2,320,296	(38,949)
949,785	12,338,798	867,602	875,952	2,645,162
$ 2,281,032	$ 12,850,335	$ 1,370,873	$ 3,196,248	$ 2,606,213

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CITY OF STOCKTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	City Administration Building	Development Services	Other Special Revenue	Capital Projects Public Facilities Impact Fees
REVENUES:				
Taxes:				
Sales - levied by City	$ -	$ -	$ -	$ -
Business licenses	-	-	-	-
Licenses and permits	-	3,237,702	74,115	-
Intergovernmental:				
Federal grants and subsidies	-	-	-	-
Sales and use tax - levied by state	-	-	-	-
Other governmental	-	-	443,561	166,027
Charges for services	-	3,595,441	44,277	2,259,252
Fines and forfeitures	-	26,091	-	-
Use of money and property	-	-	32,952	25,145
Investment income:				
Interest income	(39)	331	(1,287)	68,814
Refunds and reimbursements	-	45,326	4,400	-
Miscellaneous	39,656	135,373	393,133	-
Total revenues	39,617	7,040,264	991,151	2,519,238
EXPENDITURES:				
Current:				
General government	31,200	5,384,226	122,413	-
Public safety	-	1,548,577	162,960	-
Public works	-	-	-	
Library	-	-	128,993	
Parks and recreation	-	-	2,227	
Capital outlay	-	-	205,708	3,118,044
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	31,200	6,932,803	622,301	3,118,044
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,417	107,461	368,850	(598,806)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,000,000	-	25,628
Transfers out	-	-	(207,889)	(5,696,988)
Bond insurers proceeds	-	-	-	-
Total other financing sources (uses)	-	1,000,000	(207,889)	(5,671,360)
NET CHANGE IN FUND BALANCES	8,417	1,107,461	160,961	(6,270,166)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	115,925	1,452,850	1,728,332	41,988,878
FUND BALANCES (DEFICITS), END OF YEAR	$ 124,342	$ 2,560,311	$ 1,889,293	$ 35,718,712

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Debt Service	Permanent	
Stockton Public Financing Authority	Miscellaneous	Totals
$ -	$ -	$ 9,085,896
-	-	984,682
-	-	3,311,817
-	-	9,875,517
-	-	4,049,782
-	-	27,807,514
-	-	9,866,195
-	-	26,091
-	-	4,739,953
4,056	(972)	108,456
-	-	65,261
658,085	-	2,564,214
662,141	(972)	72,485,378
468,578	3,356	8,242,140
-	-	12,598,402
-	-	10,726,305
-	9,048	207,415
-	4,419	2,646,233
-	-	11,529,067
6,400,000	-	8,844,878
4,837,184	-	5,877,035
11,705,762	16,823	60,671,475
(11,043,621)	(17,795)	11,813,903
1,282,302	30,143	4,308,997
-	(89,624)	(26,748,813)
8,286,963	-	8,286,963
9,569,265	(59,481)	(14,152,853)
(1,474,356)	(77,276)	(2,338,950)
(14,862,284)	616,072	59,071,983
$ (16,336,640)	$ 538,796	$ 56,733,033

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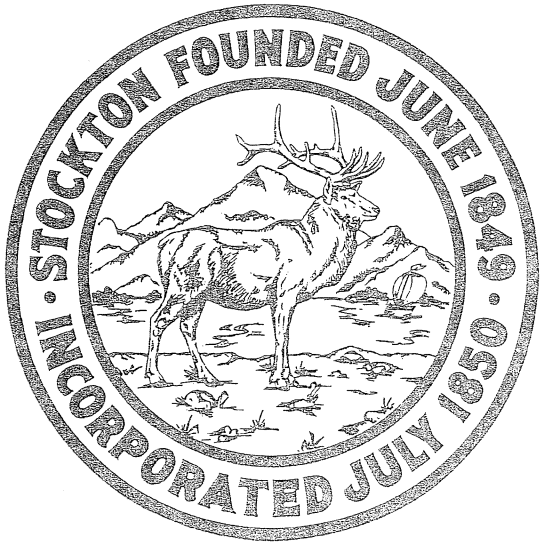

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CITY OF STOCKTON

NONMAJOR ENTERPRISE FUNDS

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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.

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City of Stockton
COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Garden Refuse	Downtown Marina	Golf Courses	Total
ASSETS				
Current assets:				
Cash and investments	$ -	$ 198,653	$ 272,060	$ 470,713
Receivables, net:				
Accounts and other receivables	-	15,963	-	15,963
Prepaid items	-	6,903	10,596	17,499
Inventory of supplies	-	-	43,585	43,585
Total current assets	-	221,519	326,241	547,760
Noncurrent assets:				
Capital assets, net:				
Nondepreciable	-	-	359,805	359,805
Depreciable, net	-	25,501,628	830,480	26,332,108
Total noncurrent assets	-	25,501,628	1,190,285	26,691,913
Total assets	-	25,723,147	1,516,526	27,239,673
LIABILITIES				
Current liabilities:				
Accounts payable	-	25,053	95,701	120,754
Deposits and other liabilities	-	27,139	84,875	112,014
Accrued interest	-	951,192	-	951,192
Due to other governments	-	-	32,168	32,168
Notes payable - current	-	412,313	-	412,313
Total current liabilities	-	1,415,697	212,744	1,628,441
Noncurrent liabilities:				
Notes payable	-	10,458,508	-	10,458,508
Total noncurrent liabilities	-	10,458,508	-	10,458,508
Total liabilities	-	11,874,205	212,744	12,086,949
NET POSITION				
Net investment in capital assets	-	14,630,807	1,190,285	15,821,092
Unrestricted (deficit)	-	(781,865)	113,497	(668,368)
Total net position	$ -	$ 13,848,942	$ 1,303,782	$ 15,152,724

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CITY OF STOCKTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Garden Refuse	Downtown Marina	Golf Courses	Total
OPERATING REVENUES:				
Charges for services	$ 99	$ 201,187	$ 1,006,374	$ 1,207,660
Miscellaneous	317	2,659	724,136	727,112
Total operating revenues	416	203,846	1,730,510	1,934,772
OPERATING EXPENSES:				
Operation and maintenance	-	379,087	2,135,309	2,514,396
Depreciation and amortization	-	536,972	68,772	605,744
Total operating expenses	-	916,059	2,204,081	3,120,140
OPERATING INCOME (LOSS)	416	(712,213)	(473,571)	(1,185,368)
NON-OPERATING REVENUES AND EXPENSES:				
Investment income:				
Interest income	2	591	(8,514)	(7,921)
Interest expense and fiscal charges	-	180,966	-	180,966
Total non-operating revenues (expenses)	2	181,557	(8,514)	173,045
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIC	418	(530,656)	(482,085)	(1,012,323)
Transfers in	-	47,299	502,000	549,299
Transfers out	(418)	-	-	(418)
CHANGE IN NET POSITION	-	(483,357)	19,915	(463,442)
NET POSITION ASSETS, BEGINNING OF YEAR	-	14,332,299	1,283,867	15,616,166
NET POSITION, END OF YEAR	$ -	$ 13,848,942	$ 1,303,782	$ 15,152,724

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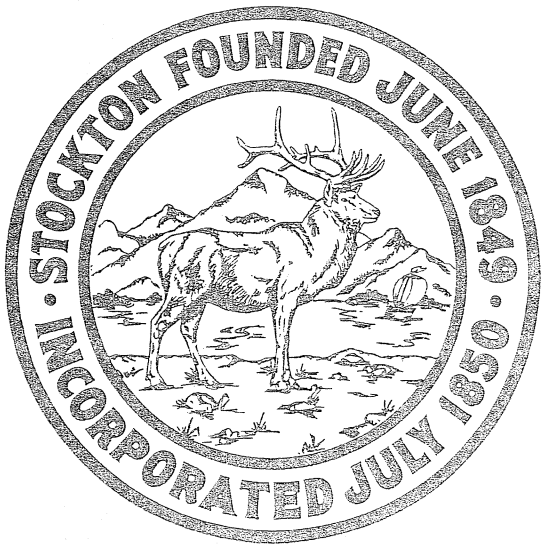

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CITY OF STOCKTON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Garden Refuse	Downtown Marina	Golf Courses	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 416	$ 207,465	$ 1,748,515	$ 1,956,396
Payments to suppliers	-	(380,432)	(1,990,580)	(2,371,012)
Payments to employees	-	(5,930)	(45,610)	(51,540)
Net cash provided by (used for) operating activities	416	(178,897)	(287,675)	(466,156)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	-	(672,246)	-	(672,246)
Long-term debt:				
Interest and financing fees paid	-	672,244	-	672,244
Net cash provided by (used for) noncapital financing activities	-	(2)	-	(2)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	47,299	502,000	549,299
Transfers out	(418)	-	-	(418)
Net cash provided by (used by) noncapital financing activities	(418)	47,299	502,000	548,881
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	2	591	(8,514)	(7,921)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(131,009)	205,811	74,802
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	329,662	66,249	395,911
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ 198,653	$ 272,060	$ 470,713
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating income (loss)	$ 416	$ (712,213)	$ (473,571)	$ (1,185,368)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation and amortization	-	536,972	68,772	605,744
Changes in assets and liabilities:				
Accounts and other receivables	-	4,278	-	4,278
Prepaids	-	(1,064)	83,431	82,367
Inventory of supplies	-	-	1,484	1,484
Accounts payable	-	(6,211)	(1,357)	(7,568)
Due to other governments	-	-	17,045	17,045
Deposits and other liabilities	-	(659)	16,521	15,862
Net cash used for operating activities	$ 416	$ (178,897)	$ (287,675)	$ (466,156)

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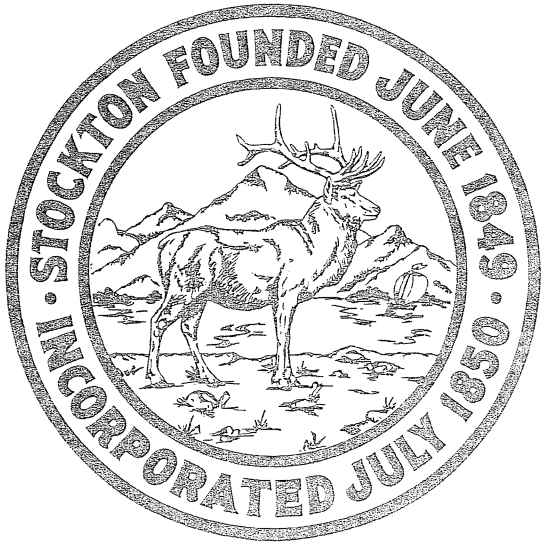

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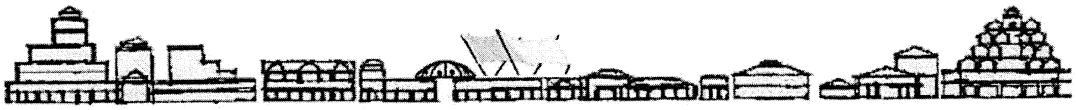
CITY OF STOCKTON



INTERNAL SERVICE FUNDS

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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.

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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.

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CITY OF STOCKTON
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
ASSETS				
Current assets:				
Cash and investments	$ 5,714,860	$ 8,521,824	$ 5,731,351	$ 3,035,568
Receivables, net:				
Accounts and other receivables	624,600	8,345	438,547	2
Advance Deposit	-	-	1,159,000	-
Due from other funds	-	7,196,822	-	-
Deposits and advances	-	-	-	-
Prepaid expenses	-	-	-	-
Total current assets	6,339,460	15,726,991	7,328,898	3,035,570
Noncurrent assets:				
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	28,150
Advances to other funds	619,466	-	-	-
Deferred charges	-	-	-	1,286,552
Net pension asset	-	-	-	113,588,317
Capital assets, net	-	-	-	-
Total noncurrent assets	619,466	-	-	114,903,019
Total assets	6,958,926	15,726,991	7,328,898	117,938,589
LIABILITIES				
Current liabilities:				
Accounts payable	2,421	134,894	174,662	1,500
Deposits and other liabilities	-	49,104	-	-
Accrued interest	-	-	-	2,252,883
Capital lease obligations - current	-	-	-	-
Compensated absences - current	15,942	3,884	24,130	-
Self-insurance claims and judgments - current	3,622,629	8,690,000	2,164,100	-
Other long-term debt - current	-	-	-	9,574,653
Total current liabilities	3,640,992	8,877,882	2,362,892	11,829,036
Noncurrent liabilities:				
Loan from Successor Agency	-	500,000	-	-
Compensated absences - long-term	9,205	3,319	10,353	-
Self-insurance claims and judgments - long-term	5,692,109	43,517,000	-	-
Capital lease obligations - long term	-	-	-	-
Bonds payable	-	-	-	121,770,000
Net OPEB obligation	-	-	125,670,518	-
Total noncurrent liabilities	5,701,314	44,020,319	125,680,871	121,770,000
Total liabilities	9,342,306	52,898,201	128,043,763	133,599,036
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted for fleet and equipment replacement	-	-	-	-
Restricted for debt service	-	-	-	28,150
Unrestricted (deficits)	(2,383,380)	(37,171,210)	(120,714,865)	(15,688,597)
Total net position	$ (2,383,380)	$ (37,171,210)	$ (120,714,865)	$ (15,660,447)

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Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
$ 2,880,328	$ 5,056,263	$ 6,737,718	$ 514,100	$ 1,445,332	$ 39,637,344
-	603	-	-	10,654	1,082,751
-	-	-	-	-	1,159,000
-	-	-	-	-	7,196,822
-	-	111,668	-	-	111,668
-	-	73,626	-	44,998	118,624
2,880,328	5,056,866	6,923,012	514,100	1,500,984	49,306,209
-	-	-	-	-	28,150
-	-	-	-	-	619,466
-	-	-	-	-	1,286,552
-	-	-	-	-	113,588,317
-	9,353,040	1,038,539	848,994	354,048	11,594,621
-	9,353,040	1,038,539	848,994	354,048	127,117,106
2,880,328	14,409,906	7,961,551	1,363,094	1,855,032	176,423,315
103,492	253,634	130,490	36,665	40,661	878,419
-	-	-	-	-	49,104
-	26,949	-	-	25,658	2,305,490
-	241,668	-	-	296,959	538,627
-	75,672	146,002	8,533	7,653	281,816
-	-	-	-	-	14,476,729
-	-	-	-	-	9,574,653
103,492	597,923	276,492	45,198	370,931	28,104,838
-	-	-	-	-	500,000
-	33,541	70,443	310	-	127,171
-	-	-	-	-	49,209,109
-	2,114,286	-	-	310,663	2,424,949
-	-	-	-	-	121,770,000
-	-	-	-	-	125,670,518
-	2,147,827	70,443	310	310,663	299,701,747
103,492	2,745,750	346,935	45,508	681,594	327,806,585
-	6,997,086	1,038,539	848,994	354,048	9,238,667
-	4,667,070	6,576,077	468,592	819,390	12,531,129
-	-	-	-	-	28,150
2,776,836	-	-	-	-	(173,181,216)
$ 2,776,836	$ 11,664,156	$ 7,614,616	$ 1,317,586	$ 1,173,438	$ (151,383,270)

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CITY OF STOCKTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
OPERATING REVENUES:				
Charges for services	$ 5,642,808	$ 9,189,458	$ 25,384,932	$ 31,101,978
OPERATING EXPENSES:				
Operation and maintenance	1,928,091	258,459	22,402,396	36,597,783
General and administrative	1,174,819	2,124,925	915,380	-
Depreciation and amortization	-	-	-	54,171
Total operating expenses	3,102,910	2,383,384	23,317,776	36,651,954
OPERATING INCOME (LOSS)	2,539,898	6,806,074	2,067,156	(5,549,976)
NON-OPERATING REVENUES (EXPENSES):				
Federal grants and subsidies	-	-	351,715	-
Investment income:				
Interest income	(3,770)	17,636	(12,174)	(3,795)
Loss from disposal of capital assets	-	-	-	-
Interest expense and fiscal charges	-	-	-	(7,022,507)
Other non-operating revenues	-	-	1,861,614	-
Total non-operating revenues (expenses)	(3,770)	17,636	2,201,155	(7,026,302)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,536,128	6,823,710	4,268,311	(12,576,278)
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
CHANGE IN NET POSITION	2,536,128	6,823,710	4,268,311	(12,576,278)
NET POSITION, BEGINNING OF YEAR	(4,919,508)	(43,994,920)	(124,983,176)	(3,084,169)
NET POSITION, END OF YEAR	$ (2,383,380)	$ (37,171,210)	$ (120,714,865)	$ (15,660,447)

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Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
$ 3,908,030	$ 9,600,486	$ 9,285,313	$ 1,068,446	$ 1,907,104	$ 97,088,555
1,519,418	5,888,704	7,288,294	916,329	1,247,744	78,047,218
-	1,107,062	-	-	-	5,322,186
-	1,682,551	390,727	130,211	184,162	2,441,822
1,519,418	8,678,317	7,679,021	1,046,540	1,431,906	85,811,226
2,388,612	922,169	1,606,292	21,906	475,198	11,277,329
-	-	-	-	-	351,715
(182)	1,698	4,476	822	(1,028)	3,683
-	-	(544)	-	-	(544)
-	(50,354)	-	-	(29,153)	(7,102,014)
-	-	-	-	-	1,861,614
(182)	(48,656)	3,932	822	(30,181)	(4,885,546)
2,388,430	873,513	1,610,224	22,728	445,017	6,391,783
-	21,651	-	37,097	-	58,748
-	205,639	-	-	-	205,639
2,388,430	1,100,803	1,610,224	59,825	445,017	6,656,170
388,406	10,563,353	6,004,392	1,257,761	728,421	(158,039,440)
$ 2,776,836	$ 11,664,156	$ 7,614,616	$ 1,317,586	$ 1,173,438	$ (151,383,270)

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CITY OF STOCKTON
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Liability Insurance	Workers' Compensation Insurance	Employee & Retiree Health Insurance	Retirement Benefits
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 5,451,098	$ 9,181,113	$ 24,947,438	$ 31,101,976
Receipts for interfund services provided	-	-	1,861,614	-
Payments to suppliers	(1,076,784)	(7,735,982)	(24,389,510)	(29,272,360)
Payments to employees	(1,206,483)	(413,492)	1,384,168	(24,060)
Net cash provided by (used for) operating activities	3,167,831	1,031,639	3,803,710	1,805,556
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	-
Federal grants and subsidies	-	-	351,715	-
Advance deposits	-	-	(1,159,000)	-
Principal paid on pension obligation debt	-	-	-	7,064,653
Interest paid on pension obligation debt	-	-	-	(7,092,612)
Due from other funds	-	4,587,389	-	-
Advances to other funds	(411)	-	-	-
Net cash provided by (used for) noncapital financing activities	(411)	4,587,389	(807,285)	(27,959)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	-	-	-	-
Proceeds from debt	-	-	-	-
Principal paid on debt	-	-	-	-
Interest paid on debt	-	-	-	-
Net cash used for capital and related financing activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	(3,770)	17,636	(12,174)	(3,795)
Net cash provided by (used for) investing activities	(3,770)	17,636	(12,174)	(3,795)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,163,650	5,636,664	2,984,251	1,773,802
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,551,210	2,885,160	2,747,100	1,289,916
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,714,860	$ 8,521,824	$ 5,731,351	$ 3,063,718

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Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
$ 3,908,030	$ 9,600,418	$ 9,285,313	$ 1,068,446	$ 1,896,740	$ 96,440,572
-	-	-	-	-	1,861,614
(713,827)	(4,324,247)	(3,956,074)	(746,036)	(977,146)	(73,191,966)
(775,232)	(2,853,298)	(3,897,741)	(177,257)	(323,934)	(8,287,329)
2,418,971	2,422,873	1,431,498	145,153	595,660	16,822,891
-	205,639	-	-	-	205,639
-	-	-	-	-	351,715
-	-	-	-	-	(1,159,000)
-	-	-	-	-	7,064,653
-	-	-	-	-	(7,092,612)
-	-	-	-	-	4,587,389
-	-	-	-	-	(411)
-	205,639	-	-	-	3,957,373
-	(2,550,065)	(403,665)	(21,132)	-	(2,974,862)
-	1,871,404	-	-	-	1,871,404
-	(273,068)	-	-	(283,860)	(556,928)
-	(28,688)	-	-	(41,139)	(69,827)
-	(980,417)	(403,665)	(21,132)	(324,999)	(1,730,213)
(182)	1,698	4,476	822	(1,028)	3,683
(182)	1,698	4,476	822	(1,028)	3,683
2,418,789	1,649,793	1,032,309	124,843	269,633	19,053,734
461,539	3,406,470	5,705,409	389,257	1,175,699	20,611,760
$ 2,880,328	$ 5,056,263	$ 6,737,718	$ 514,100	$ 1,445,332	$ 39,665,494

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CITY OF STOCKTON
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance	Retirement Benefits
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 2,539,898	$ 6,806,074	$ 2,067,156	$ (5,549,976)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	-	-	-	54,171
Other non-operating revenues	-	-	1,861,614	-
Changes in assets and liabilities:				
Accounts and other receivables	(191,710)	(8,345)	(437,494)	(2)
Prepaid expenses	-	-	-	-
Deferred charges	-	-	109,000	54,170
Pension asset	-	-	-	7,247,193
Accounts payable	(55,721)	52,789	3,258	-
Compensated absences	(67,962)	(9,907)	(16,942)	-
Self-insurance - claims and judgments	943,326	(5,808,972)	(1,919,400)	-
Net OPEB obligation	-	-	2,136,518	-
Net cash provided by (used for) operating activities	$ 3,167,831	$ 1,031,639	$ 3,803,710	$ 1,805,556
NONCASH TRANSACTIONS:				
Transfer of capital assets from other funds	-	-	-	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS:				
Cash and investments	$ 5,714,860	$ 8,521,824	$ 5,731,351	$ 3,035,568
Restricted assets:				
Cash with investments fiscal agents	-	-	-	28,150
Total cash and investments	$ 5,714,860	$ 8,521,824	$ 5,731,351	$ 3,063,718

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Other Benefits & Insurance	Vehicle Fleet Equipment	Computer Equipment	Radio Equipment	Other Equipment	Total
$ 2,388,612	$ 922,169	$ 1,606,292	$ 21,906	$ 475,198	$ 11,277,329
-	1,682,551	390,727	130,211	184,162	2,441,822
-	-	-	-	-	1,861,614
-	(68)	-	-	(10,364)	(647,983)
-	-	(73,626)	-	2	(73,624)
-	-	-	-	-	163,170
-	-	-	-	-	7,247,193
30,359	(89,919)	(361,455)	(6,801)	(37,334)	(464,824)
-	(91,860)	(130,440)	(163)	(16,004)	(333,278)
-	-	-	-	-	(6,785,046)
-	-	-	-	-	2,136,518
$ 2,418,971	$ 2,422,873	$ 1,431,498	$ 145,153	$ 595,660	$ 16,822,891
-	21,651	-	37,097	-	58,748
$ 2,880,328	$ 5,056,263	$ 6,737,718	$ 514,100	$ 1,445,332	$ 39,637,344
-	-	-	-	-	28,150
$ 2,880,328	$ 5,056,263	$ 6,737,718	$ 514,100	$ 1,445,332	$ 39,665,494

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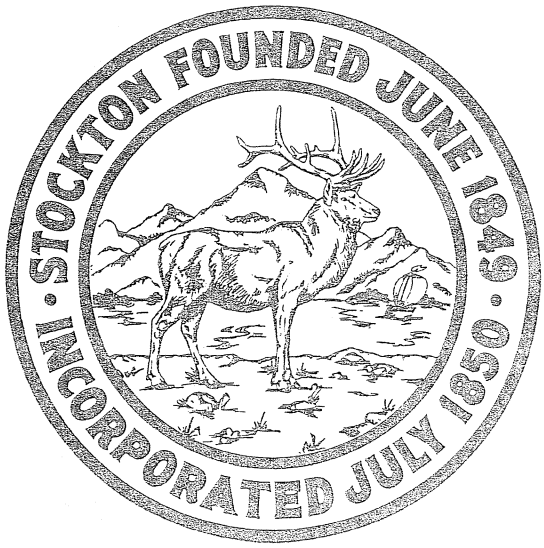

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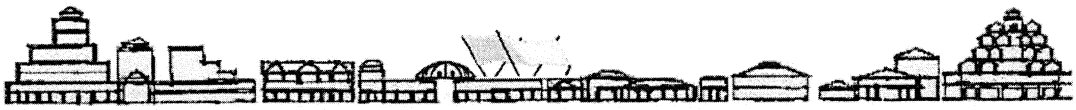
CITY OF STOCKTON



AGENCY FUNDS

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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.

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CITY OF STOCKTON
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
- AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Land Secured Financing				
ASSETS				
Cash and investments	$ 30,977,271	$ 19,243,944	$ 18,433,770	$ 31,787,445
Cash and investments with fiscal agents	16,916,643	35,366,448	35,621,080	16,662,011
Receivables:				
Interest	101,921	60,974	101,921	60,974
Accounts and other receivables	31,847	522	670	31,699
Total assets	$ 48,027,682	$ 54,671,888	$ 54,157,441	$ 48,542,129
LIABILITIES				
Accounts payable	$ -	$ 87,356	$ 77,687	$ 9,669
Deposits and other liabilities	48,027,682	23,623,645	23,118,867	48,532,460
Total liabilities	$ 48,027,682	$ 23,711,001	$ 23,196,554	$ 48,542,129
Area of Benefit Fees				
ASSETS				
Cash and investments	$ 12,755,653	$ 1,097,542	$ 116,962	$ 13,736,233
Total assets	$ 12,755,653	$ 1,097,542	$ 116,962	$ 13,736,233
LIABILITIES				
Deposits and other liabilities	$ 12,755,653	$ 1,235,219	$ 254,639	$ 13,736,233
Total liabilities	$ 12,755,653	$ 1,235,219	$ 254,639	$ 13,736,233
Public Facilities Fees				
ASSETS				
Cash and investments	$ 1,094,601	$ 1,002,824	$ 1,881,445	$ 215,980
Receivables:				
Accounts and other receivables	-	-	-	-
Total assets	$ 1,094,601	$ 1,002,824	$ 1,881,445	$ 215,980
LIABILITIES				
Accounts payable	$ 305,881	$ 1,673,771	$ 1,762,377	$ 217,275
Due to other governments	788,720	1,011,781	1,801,796	(1,295)
Total liabilities	$ 1,094,601	$ 2,685,552	$ 3,564,173	$ 215,980

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CITY OF STOCKTON
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
- AGENCY FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Miscellaneous				
ASSETS				
Cash and investments	$ 5,643,171	$ 112,350,536	$ 112,987,189	$ 5,006,518
Receivables:				
Accounts and other receivables	1,162,369	13,655,962	13,516,547	1,301,784
Total assets	$ 6,805,540	$ 126,006,498	$ 126,503,736	$ 6,308,302
LIABILITIES				
Accounts payable	$ 20,510	$ 523,170	$ 480,483	$ 63,197
Due to other governments	14,903	196,036	196,012	14,927
Deposits and other liabilities	6,770,127	112,376,580	112,916,529	6,230,178
Total liabilities	$ 6,805,540	$ 113,095,786	$ 113,593,024	$ 6,308,302
All Other				
ASSETS				
Cash and investments	$ 434,127	$ 231,245	$ 498,370	$ 167,002
Receivables:				
Accounts and other receivables	4,038	17,213	21,251	-
Due from other governments	803	1,413	803	1,413
Total assets	$ 438,968	$ 249,871	$ 520,424	$ 168,415
LIABILITIES				
Accounts payable	$ 9,360	$ 212,156	$ 188,192	$ 33,324
Deposits and other liabilities	429,608	218,773	513,290	135,091
Total liabilities	$ 438,968	$ 430,929	$ 701,482	$ 168,415
Total				
ASSETS				
Cash and investments	$ 50,904,822	$ 133,926,091	$ 133,917,736	$ 50,913,177
Cash and investments with fiscal agents	16,916,643	35,366,448	35,621,080	16,662,011
Receivables:				
Interest	101,921	60,974	101,921	60,974
Accounts and other receivables	1,198,254	13,673,697	13,538,468	1,333,483
Due from other governments	803	1,413	803	1,413
Total assets	$ 69,122,443	$ 183,028,623	$ 183,180,008	$ 68,971,058
LIABILITIES				
Accounts payable	$ 335,750	$ 2,496,453	$ 2,508,739	$ 323,464
Due to other governments	803,623	1,207,817	1,997,808	13,632
Deposits and other liabilities	67,983,070	137,454,217	136,803,325	68,633,962
Total liabilities	$ 69,122,443	$ 141,158,487	$ 141,309,872	$ 68,971,058

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CITY OF STOCKTON
TABLE 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental activities:					
Net investment in capital assets	$ 725,426	$ 703,266	$ 645,249	$ 612,914	$ 611,775
Restricted	93,905	84,099	122,730	188,655	162,363
Unrestricted	(77,194)	(114,859)	(169,356)	(139,549)	(66,091)
Total governmental activities net position	$ 742,137	$ 672,506	$ 598,623	$ 662,020	$ 708,047
Business-type activities:					
Net investment in capital assets	$ 418,881	$ 432,082	$ 414,066	$ 402,215	$ 400,551
Restricted	24,315	27,976	33,558	30,751	35,408
Unrestricted	73,330	54,340	61,172	41,442	42,449
Total business-type activities net position	$ 516,526	$ 514,398	$ 508,796	$ 474,408	$ 478,408
Primary government:					
Net investment in capital assets	$ 1,144,307	$ 1,135,348	$ 1,059,315	$ 1,015,129	$ 1,012,326
Restricted	118,220	112,075	156,288	219,406	197,771
Unrestricted	(3,864)	(60,519)	(108,184)	(98,107)	(23,642)
Total primary government net position	$ 1,258,663	$ 1,186,904	$ 1,107,419	$ 1,136,428	$ 1,186,455

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

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

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Fiscal Year				
2008	2007	2006	2005	2004
$ 594,070	$ 636,838	$ 603,068	$ 529,250	$ 289,507
172,088	161,995	154,758	134,804	143,431
(21,053)	(338)	(8,497)	(19,407)	5,071
$ 745,105	$ 798,495	$ 749,329	$ 644,647	$ 438,009
$ 399,813	$ 387,198	$ 368,222	$ 348,229	$ 302,497
39,568	46,850	48,454	55,386	52,415
39,138	32,645	30,465	30,282	48,023
$ 478,519	$ 466,693	$ 447,141	$ 433,897	$ 402,935
$ 993,883	$ 1,024,036	$ 971,290	$ 877,479	$ 592,004
211,656	208,845	203,212	190,190	195,846
18,085	32,307	21,968	10,875	53,094
$ 1,223,624	$ 1,265,188	$ 1,196,470	$ 1,078,544	$ 840,944

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CITY OF STOCKTON
TABLE 2
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Expenses					
Governmental activities:					
General government	$ 24,575	$ 41,548	$ 40,873	$ 30,765	$ 33,923
Public safety	104,680	154,230	182,582	187,647	190,692
Public works	49,044	34,635	48,826	56,416	43,985
Library	8,300	10,176	11,589	12,767	14,852
Parks and recreation	19,523	20,760	24,435	22,309	26,038
Interest and fiscal charges	14,615	20,529	19,274	20,430	19,620
Total governmental activities	$ 220,737	$ 281,878	$ 327,579	$ 330,334	$ 329,110
Business-type activities:					
Water utility	$ 45,896	$ 30,162	$ 35,909	$ 28,856	$ 24,146
Wastewater utility	51,166	51,530	49,234	45,958	49,414
Stormwater utility	5,959	6,685	7,406	7,842	8,129
Central parking district	4,944	4,903	4,264	4,616	4,810
Other	2,939	3,750	3,517	2,394	2,237
Total business-type activities	110,904	97,030	100,330	89,666	88,736
Total expenses	$ 331,641	$ 378,908	$ 427,909	$ 420,000	$ 417,846
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 17,977	$ 15,342	$ 17,079	$ 11,387	$ 13,180
Public safety	18,130	15,002	16,765	18,812	22,131
Public works	6,136	6,255	15,005	17,755	19,750
Library	670	719	593	504	4,800
Parks and recreation	6,597	6,037	7,353	6,464	2,104
Operating grants and contributions	23,827	20,460	22,355	17,251	16,051
Capital grants and contributions	57,146	54,487	50,112	40,661	33,112
Total governmental activities	$ 130,483	$ 118,302	$ 129,262	$ 112,834	$ 111,128
Business-type activities:					
Charges for services:					
Water utility	$ 37,464	$ 33,308	$ 30,056	$ 25,775	$ 24,258
Wastewater utility	55,369	50,324	42,598	37,271	35,607
Stormwater utility	5,503	5,888	5,879	5,655	5,498
Central parking district	2,669	3,487	3,585	3,672	3,934
Other	1,934	2,071	1,852	1,701	-
Operating grants and contributions	4,175	4,175	4,175	2,482	1,845
Capital grants and contributions	4,700	10,139	15,960	4,917	4,409
Total business-type activities	111,814	109,392	104,105	81,473	75,551
Total program revenues	$ 242,297	$ 227,694	$ 233,367	$ 194,307	$ 186,679
Net (Expense)/Revenue					
Governmental activities	$ (90,254)	$ (163,576)	$ (198,317)	$ (217,500)	$ (217,982)
Business-type activities	910	12,362	3,775	(8,193)	(13,185)
Total net expense	$ (89,344)	$ (151,214)	$ (194,542)	$ (225,693)	$ (231,167)

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Fiscal Year				
2008	2007	2006	2005	2004
$ 27,819	$ 26,517	$ 20,171	$ 19,894	$ 17,569
181,187	161,895	149,512	145,703	125,837
134,737	59,897	36,481	33,328	42,848
14,723	13,261	13,545	13,190	11,530
33,138	27,429	26,352	19,365	15,854
17,921	11,746	4,136	4,346	13,081
$ 409,525	$ 300,745	$ 250,197	$ 235,826	$ 226,719
$ 22,070	$ 21,750	$ 19,063	$ 14,809	$ 15,548
40,045	42,084	36,458	31,607	32,674
6,696	7,219	6,009	5,653	6,910
5,002	4,238	3,162	2,487	2,585
2,093	2,057	2,460	2,448	5,022
75,906	77,348	67,152	57,004	62,739
$ 485,431	$ 378,093	$ 317,349	$ 292,830	$ 289,458
$ 12,141	$ 8,429	$ 10,154	$ 11,264	$ 7,962
30,738	32,447	37,603	39,329	29,960
30,429	21,140	35,054	23,733	21,683
1,462	1,105	1,489	1,920	1,859
9,741	9,957	12,407	9,988	10,050
10,352	11,065	12,388	9,715	7,924
43,874	83,238	45,745	44,309	47,789
$ 138,737	$ 167,381	$ 154,840	$ 140,258	$ 127,227
$ 22,882	$ 23,092	$ 20,268	$ 20,125	$ 18,328
33,661	33,099	32,746	31,926	30,483
6,160	5,088	5,063	4,751	4,827
3,815	3,474	3,502	2,696	2,694
-	-	-	-	-
2,065	1,988	2,284	2,433	4,639
13,251	23,721	20,324	28,655	31,535
81,834	90,462	84,187	90,586	92,506
$ 220,571	$ 257,843	$ 239,027	$ 230,844	$ 219,733
$ (270,788)	$ (133,364)	$ (95,357)	$ (95,568)	$ (99,492)
5,928	13,114	17,035	33,582	29,767
$ (264,860)	$ (120,250)	$ (78,322)	$ (61,986)	$ (69,725)

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CITY OF STOCKTON
TABLE 2 (Continued)
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Position:					
Governmental activities:					
Taxes:					
Property	$ 29,420	$ 32,772	$ 41,051	$ 45,549	$ 58,640
In lieu of sales tax	9,938	8,392	8,118	7,087	9,823
Utility user	31,941	31,505	30,994	30,717	30,854
Sales - levied by City (1)	9,086	8,576	7,875	7,652	7,921
Franchise fees	11,677	12,465	11,503	11,354	11,608
Business licenses	10,153	9,873	9,855	9,717	9,699
Hotel/motel room	2,006	1,933	1,799	1,749	1,962
Document transfer	458	603	583	559	702
Special assessments	-	-	-	-	-
Other	287	159	155	203	234
Shared revenue:					
Vehicle license fees	17,433	17,734	20,014	20,468	23,459
Sales and use tax levied by state (1)	34,031	32,604	30,061	28,856	31,245
Other	400	-	352	361	370
Investment earnings	123	2,802	1,620	5,927	13,104
Loss from disposal of capital assets	(1)	-	-	8	127
Miscellaneous	2,411	974	1,083	172	722
Special item	-	-	3,270	(288)	(8,736)
Transfers	524	1,718	542	1,382	803
Extraordinary items		75,350			
Total governmental activities	$ 159,887	$ 237,460	$ 168,875	$ 171,473	$ 192,537
Business-type activities:					
Other taxes	$ 1,197	$ 1,205	$ 1,152	$ 1,095	$ 1,066
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	530	1,865	3,176	4,192	4,075
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	14	(18,012)	-	-	-
Special item	-	-	-	288	8,736
Transfers	(524)	(1,718)	(542)	(1,382)	(803)
Total business-type activities	1,217	(16,660)	3,786	4,193	13,074
Total general revenues and other changes in net assets	$ 161,104	$ 220,800	$ 172,661	$ 175,666	$ 205,611
Change in Net Position					
Governmental activities	$ 69,631	$ 73,884	$ (29,442)	$ (46,027)	$ (25,445)
Business-type activities	2,127	(4,298)	7,561	(4,000)	(111)
Total primary government	$ 71,758	$ 69,586	$ (21,881)	$ (50,027)	$ (25,556)

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 Positions were restated for prior period adjustments for the Government activities and Business-type activities. See financial statement footnote #15 prior period adjustments for more information.

Source: City of Stockton Department of Administrative Services

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Fiscal Year				
2008	2007	2006	2005	2004
$ 63,998	$ 60,015	$ 47,495	$ 33,723	$ 28,365
10,164	11,070	9,274	8,750	-
30,861	30,101	34,313	34,908	33,322
9,409	9,249	9,941	1,047	-
11,537	10,817	10,333	9,812	5,725
10,772	10,285	11,222	8,960	8,014
2,287	2,180	2,171	2,160	2,030
686	1,187	2,010	2,036	1,525
-	-	-	-	18,211
246	257	218	373	187
24,051	22,661	18,173	14,548	11,633
36,098	36,745	42,063	37,198	40,333
389	384	456	1,589	1,705
15,007	11,436	3,457	5,554	1,243
88	-	-	-	496
756	786	1,010	6,603	1,652
-	-	-	-	-
1,049	516	7,903	8,076	7,553
$ 217,398	$ 207,689	$ 200,039	$ 175,337	$ 161,994
$ 1,055	$ 981	$ 713	$ 733	$ 675
-	-	-	881	-
5,892	5,973	3,399	3,842	808
-	-	-	-	76
-	-	-	-	-
-	-	-	-	-
(1,049)	(516)	(7,903)	(8,076)	(7,553)
5,898	6,438	(3,791)	(2,620)	(5,994)
$ 223,296	$ 214,127	$ 196,248	$ 172,717	$ 156,000
$ (53,390)	$ 74,325	$ 104,682	$ 79,769	$ 62,502
11,826	19,552	13,244	30,962	23,773
$ (41,564)	$ 93,877	$ 117,926	$ 110,731	$ 86,275

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

	Fiscal Year				
	2013	2012	2011	2010	2009
General Fund					
Nonspendable	$ 409	$ 355	$ 317	$ 13,466	$ -
Restricted	2,234	2,100	2,100	2,100	-
Committed	10,660	8,070	5,081	1,851	-
Assigned	18,018	4,111	4,758	5,730	-
Unassigned	-	-	-	-	-
Total General Fund	$ 31,321	$ 14,636	$ 12,256	$ 23,147	$ -
All other governmental funds					
Nonspendable	$ 369	$ 370	$ 304	$ 1,604	$ -
Restricted	80,908	83,636	115,700	228,190	-
Committed	-	-	-	67,466	-
Assigned	-	-	-	1,815	-
Unassigned	(18,793)	(18,775)	(15,017)	(63,475)	-
Total all other governmental funds	$ 62,484	$ 65,231	$ 100,987	$ 235,600	$ -
Total Fund Balances	$ 93,805	$ 79,867	$ 113,243	$ 258,747	$ -

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

Notes:

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

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

Fiscal Year				
2008	2007	2006	2005	2004
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -

Fiscal Year				
2008	2007	2006	2005	2004
$ 13,498	$ 13,231	$ 8,352	$ 6,958	$ 6,117
9,627	15,761	23,116	16,506	11,730
$ 23,125	$ 28,992	$ 31,468	$ 23,464	$ 17,847
$ 289,368	$ 298,541	$ 197,170	$ 246,051	$ 317,874
24,677	3,986	(20,727)	(57,435)	8,627
38	(196)	(213)	(42)	(179)
(25,307)	(27,899)	(26,296)	(27,487)	(46,437)
333	297	252	265	207
$ 289,109	$ 274,729	$ 150,186	$ 161,352	$ 280,092
$ 312,234	$ 303,721	$ 181,654	$ 184,816	$ 297,939

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

	Fiscal Year		
	2013	2012	2011
Revenues:			
Taxes:			
Property	$ 29,420	$ 32,772	$ 41,051
In lieu of sales tax	9,938	8,392	8,118
Utility user	31,941	31,505	30,994
Sales (levied by City) (1)	9,086	8,576	7,875
Franchise fees	11,677	12,465	11,503
Business license	10,153	9,873	9,855
Hotel/motel room	2,006	1,933	1,799
Document transfer	458	603	583
Special assessments	-	-	-
Other	287	159	155
Licenses and permits	3,696	4,024	3,584
Federal grants and subsidies	23,158	19,927	33,244
Other shared revenue (sales and use tax levied by state) (1)	34,031	32,604	30,061
Other governmental	71,746	66,985	47,929
Charges for services	19,059	21,655	21,262
Fines and forfeitures	2,419	2,792	3,538
Use of money and property	13,767	11,848	14,966
Investment income:			
Interest income	119	2,367	1,339
Refunds and reimbursements	1,814	3,213	9,790
Miscellaneous	6,942	6,088	7,594
Total revenues	$ 281,717	$ 277,781	$ 285,240
Expenditures:			
Current:			
General government	$ 23,245	$ 22,742	$ 30,900
Public safety	125,331	139,047	152,527
Public works	13,498	13,989	13,528
Library	9,039	9,537	10,252
Parks and recreation	17,733	16,887	19,669
Capital outlay	72,568	68,005	66,975
Debt service:			
Principal retirement	9,013	5,883	22,661
Cost of issuance	-	-	-
Interest and fiscal charges	5,957	13,531	12,706
Total expenditures	$ 276,384	$ 289,621	$ 329,218
Excess (deficiency) of revenues over (under) expenditures	$ 5,333	$ (11,840)	$ (43,978)

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Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
$ 45,549	$ 58,640	$ 63,998	$ 60,015	$ 47,495	$ 33,723	$ 28,365
7,087	9,823	10,164	11,070	9,274	8,750	-
30,717	30,854	30,861	30,101	34,313	34,908	33,322
7,652	7,921	9,409	9,249	9,941	1,047	-
11,354	11,608	11,537	10,817	10,333	9,812	5,725
9,717	9,699	10,772	10,285	11,222	8,960	8,014
1,749	1,962	2,287	2,180	2,171	2,160	2,030
559	702	686	1,187	2,010	2,036	1,525
-	-	-	-	-	-	18,211
203	234	246	257	218	193	187
4,257	4,335	5,273	6,777	8,960	11,112	9,977
26,034	12,976	13,617	26,532	21,529	10,465	11,301
28,856	31,245	36,098	36,745	42,063	35,904	40,333
47,779	53,498	59,976	63,064	52,402	44,737	35,330
26,174	31,462	55,244	51,739	66,443	61,903	57,316
5,090	4,499	3,321	3,323	3,933	3,250	1,905
11,962	13,234	12,922	9,709	6,274	3,370	1,640
5,352	11,375	13,100	9,789	2,831	5,019	1,176
5,186	4,113	4,253	8,199	8,284	5,524	3,213
8,449	13,429	8,515	9,163	8,707	11,662	6,314
$ 283,726	$ 311,609	$ 352,279	$ 360,201	$ 348,403	$ 294,535	$ 265,884
$ 21,818	$ 24,272	$ 22,285	$ 20,030	$ 23,935	$ 23,520	$ 22,812
152,714	163,339	168,372	163,479	157,299	142,211	123,948
14,029	16,113	18,464	19,478	30,959	27,346	38,122
11,041	12,485	13,432	12,648	13,283	12,391	11,303
17,948	22,376	27,185	25,747	25,637	17,931	14,937
84,194	105,384	135,071	98,819	101,399	108,560	60,827
11,739	3,973	1,017	591	689	669	8,356
846	99	777	2,069	341	22	2,177
12,523	11,938	10,771	7,892	4,314	4,183	12,460
$ 326,852	$ 359,979	$ 397,374	$ 350,753	$ 357,856	$ 336,833	$ 294,942
$ (43,126)	$ (48,370)	$ (45,095)	$ 9,448	$ (9,453)	$ (42,298)	$ (29,058)

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

	Fiscal Year		
	2013	2012	2011
Other financing sources (uses):			
Capital contributions	$ -	$ -	$ (284)
Transfers in	30,678	24,706	78,125
Transfers out	(30,360)	(25,450)	(74,128)
Bond insurers proceeds	8,287	-	-
Operating transfers out to a component unit	-	-	-
Issuance of long-term debt	-	533	30
Sales of capital assets	-	-	1,127
Payment to refunded bond escrow agent	-	-	-
Premiums on debt issuances	-	-	-
Discounts on debt issuances	-	-	-
Total other financing sources (uses)	$ 8,605	$ (211)	$ 4,870
Special items	-	(21,324)	3,270
Net change in fund balances	13,938	(33,375)	(35,838)
Fund balances, beginning of year, as restated	79,868	113,244	258,748
Prior period adjustments	-	-	(109,666)
Fund balances, end of year, as restated	$ 93,806	$ 58,545	$ 116,514
Debt service as a percentage of noncapital expenditures	7.1%	8.9%	13.4%

(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 adjustments.

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.

Source: City of Stockton Department of Administrative Services

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Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
$ -	$ -	$ -	$ -	$ -	$ -	$ -
35,341	46,051	59,991	78,825	45,192	46,449	64,132
(34,357)	(45,381)	(59,839)	(80,506)	(38,821)	(39,845)	(59,459)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39,702	6,343	53,436	110,509	14,608	592	79,713
-	109	44	5	2	2	5
-	-	-	-	(14,604)	-	-
-	-	-	2,377	-	-	1,637
(775)	-	(24)	-	(86)	-	(219)
$ 39,911	$ 7,122	$ 53,608	$ 111,210	$ 6,291	$ 7,198	$ 85,809
(288)	(8,736)	-	-	-	-	-
(3,503)	(49,984)	8,513	120,658	(3,162)	(35,100)	56,751
262,250	312,234	303,721	183,063	184,816	219,916	241,188
-	-	-	-	-	-	-
$ 258,459	$ 253,514	$ 312,234	$ 303,721	$ 181,654	$ 184,816	$ 297,939
9.9%	5.9%	4.2%	3.7%	2.1%	2.2%	10.9%

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

	Fiscal Year				
	2013	2012	2011	2010	2009
Property (1)	$ 29,420	$ 32,772	$ 41,051	$ 45,549	$ 58,640
In lieu of sales tax (2)	9,938	8,392	8,118	7,087	9,823
Utility user (3)	31,941	31,505	30,994	30,717	30,854
Sales (levied by city) (4)	9,086	8,576	7,875	7,652	7,921
Franchise fees (5)	11,677	12,465	11,503	11,354	11,608
Business licenses (6)	10,153	9,873	9,855	9,717	9,699
Hotel/motel room	2,006	1,933	1,799	1,749	1,962
Document transfer (7)	458	603	583	559	702
Special assessments (8)	-	-	-	-	-
Other	287	159	155	203	234
Totals	$ 104,966	$ 106,278	$ 111,933	$ 114,587	$ 131,443

(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

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Fiscal Year					
2008	2007	2006	2005	2004	% Change 2004 (or inception) to 2013
$ 63,998	$ 60,015	$ 47,495	$ 33,723	$ 28,365	4%
10,164	11,070	9,274	8,750	-	0%
30,861	30,101	34,313	34,908	33,322	-4%
9,409	9,249	9,941	1,047	-	0%
11,537	10,817	10,333	9,812	5,725	104%
10,772	10,285	11,222	8,960	8,014	27%
2,287	2,180	2,171	2,160	2,030	-1%
686	1,187	2,010	2,036	1,525	-70%
-	-	-	-	18,211	-100%
246	257	218	193	187	53%
$ 139,960	$ 135,161	$ 126,977	$ 101,589	$ 97,379	8%

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

	Fiscal Year			
	2013	2012	2011	2010
Secured roll	$ 16,272,927	$ 16,575,192	$ 17,388,579	$ 18,339,819
Utility roll	7,504	7,204	7,119	7,081
Unsecured roll	1,566,497	1,566,928	1,606,951	1,628,749
Gross assessed value	$ 17,846,928	$ 18,149,324	$ 19,002,649	$ 19,975,649
Less exemptions (1)	1,608,513	1,654,143	1,584,109	1,514,454
Net assessed value	$ 16,238,415	$ 16,495,181	$ 17,418,540	$ 18,461,195
Land	$ 4,019,017	$ 4,168,722	$ 4,461,053	$ 4,817,327
Improvements	12,696,221	12,846,828	13,284,209	13,910,082
Personal property	1,131,690	1,133,774	1,257,387	1,248,240
Gross assessed value	$ 17,846,928	$ 18,149,324	$ 19,002,649	$ 19,975,649
Less exemptions (1)	1,608,513	1,654,143	1,584,109	1,514,454
Net assessed value	$ 16,238,415	$ 16,495,181	$ 17,418,540	$ 18,461,195
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%

(1) For FY 2013, all exemptions (secured, utility, and unsecured rolls) are: homeowners - $240,687,129 and other - $1,367,826,003 = $1,608,513,132.

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					
2009	2008	2007	2006	2005	2004
$ 20,988,391	$ 21,520,451	$ 19,823,995	$ 16,860,177	$ 14,398,725	$ 12,567,832
5,633	5,652	14,092	15,883	16,316	15,054
1,588,293	1,234,912	1,195,948	1,127,627	1,015,499	951,164
$ 22,582,317	$ 22,761,015	$ 21,034,035	$ 18,003,687	$ 15,430,540	$ 13,534,050
1,398,902	1,302,249	1,238,271	1,185,310	1,111,509	1,061,968
$ 21,183,415	$ 21,458,766	$ 19,795,764	$ 16,818,377	$ 14,319,031	$ 12,472,082
$ 6,387,373	$ 6,661,962	$ 5,992,555	$ 4,811,339	$ 4,104,660	$ 3,532,906
14,984,980	15,092,621	14,034,608	12,251,910	10,509,572	9,220,951
1,209,964	1,006,432	1,006,872	940,438	816,308	780,193
$ 22,582,317	$ 22,761,015	$ 21,034,035	$ 18,003,687	$ 15,430,540	$ 13,534,050
1,398,902	1,302,249	1,238,271	1,185,310	1,111,509	1,061,968
$ 21,183,415	$ 21,458,766	$ 19,795,764	$ 16,818,377	$ 14,319,031	$ 12,472,082
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

Fiscal Year	Basic Countywide Levy	City	Total Direct	Stockton Unified School District (1)	San Joaquin Delta College District	Total
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
2004	1.0000	-	1.0000	0.0571	-	1.0571

(1) Stockton Unified School District Building Loan Repayment.

Note: On June 6, 1978, California voters approved an amendment to the Article XIIIA 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 XIIIA (Statues 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

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

	Fiscal Year					
	2013			2004		
Taxpayer	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Buzz Oates LLC	$ 128,437	1	0.873 %	$ -		- %
Excel Stockton LLC	122,966	2	0.836	-		-
Simpson Manufacturing Co Inc	86,070	3	0.585	29,827	5	0.259
Diamond Walnut Growers Inc	72,600	4	0.493	47,517	2	0.412
Dameron Hospital Association	70,458	5	0.479	-		-
Corn Products International Inc	65,728	6	0.447	70,436	1	0.611
Prologis	49,062	7	0.333	-		-
Fresh and Easy Neighborhood Market Inc	46,771	8	0.318	-		-
Inland Western Stkn Airport Way II LLC	45,422	9	0.309	-		-
WTM Glimcher LLC	44,113	10	0.300	-		-
TRU Properties			-	36,825	3	0.319
POSDEF Power Co	-		-	30,109	4	0.261
Washington Mutual Bank	-		-	28,871	6	0.250
Cargill Inc	-		-	22,715	7	0.197
Dollar Tree Distribution, Inc	-		-	20,692	8	0.179
Iris, USA	-		-	18,680	9	0.162
A G Spanos Construction Inc	-		-	18,429	10	0.160
Principal Secured Property Valuation	$ 731,627		4.973 %	$ 324,101		2.811 %
Other Secured Taxpayers	15,541,300		106.204	12,248,400		106.216
Total Secured Property Valuation Before Exemptions	$ 16,272,927		110.614 %	$ 12,572,501		109.027 %
Less Exemptions relative to secured tax roll (1)	1,561,472		10.614	1,040,913		9.027
Total Secured Property Valuation	$ 14,711,455		100.000 %	$ 11,531,588		100.000 %

(1) Exemptions relative to secured tax roll:

FY 2013 - homeowners - $240,576 and other - $1,320,896 = $1,561,472
FY 2004 - homeowners - $260,557 and other - $780,356 = $1,040,913

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

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CITY OF STOCKTON
TABLE 9
SECURED PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

		Collected Within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Secured Taxes Levied for the Fiscal Year	Amount	Percent of Levy (1)	Collections in Subsequent Years	Amount	Percent of Levy
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
2004	23,498	23,498	100	-	23,498	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

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CITY OF STOCKTON
TABLE 10
WATER SOLD BY CUSTOMER TYPE
LAST FIVE FISCAL YEARS

	Fiscal Year				
	2013	2012	2011	2010	2009
Type of Customer					
Residential	9,834,835 cf	9,330,690 cf	9,151,563 cf	9,666,100 cf	10,246,248 cf
Institutional	2,379,843	646,754	629,802	607,127	734,394
Commercial/Industrial	1,678,854	1,593,141	1,620,597	1,521,663	1,624,864
Irrigation	1,724,891	1,418,354	1,352,387	1,767,675	1,697,051
Total	15,618,423 cf	12,988,939 cf	12,754,349 cf	13,562,565 cf	14,302,557 cf

1 cubic foot (cf) = 7.481 gallons

Source: City of Stockton Department of Administrative Services

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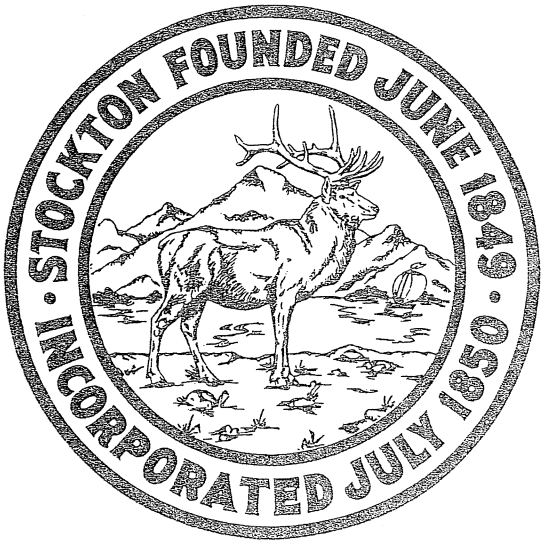

CITY OF STOCKTON
TABLE 11
WATER AND WASTEWATER UTILITY RATES
LAST TEN FISCAL YEARS

	Water		Wastewater
Fiscal Year	Monthly Base Rate	Additional Per 100 cf**	Monthly Base Rate
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
2004	14.20	0.69	18.80

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

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

	Governmental Activities						
Fiscal Year	Revenue Bonds (1)	Certificates of Participation	Redevelopment Agency Revenue Bonds	Notes Payable / Equip. Leases / Settlements	Special Assessment/ Mello-Roos Bonds (1)	Pension Bonds	Total Governmental Activities
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
2004	98,060	27,550	47,000	19,235	106,927	-	298,772

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements, Note 6-Long-Term Debt and Note 7-Short-Term Debt of these financial statements.

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

(2) These ratios are calculated using the latest available data, personal income for fiscal year 2012 and population for fiscal year 2013.

Sources: City of Stockton Department of Administrative Services
US Dept. of Commerce, Bureau of Economic Analysis
State of California, Department of Finance

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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)	Per Capita (2)
$ 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
46,625	108,215	1,219	-	-	156,059	454,831	2.74	1,690

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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 (2) Bonds	Total	Percent of Assessed Property Value	Per Capita
(1)	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
	2004	-	27,550	-	47,000	74,550	0.006	0.277

Note 1 Under bankruptcy, certain bond payments have been made using resources received from bond insurers. Until a plan of adjustment is approved a separate liability to the insurers in place of the bonded debt that has been reduced.

Note 2 Redevelopment Agencies ceased to exist 01/31/2013. These bonds are being paid for through resources received by their successor agencies

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

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CITY OF STOCKTON
TABLE 14
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2013	Percentage Applicable (1)	City's share of Debt 6/30/2013
San Joaquin Delta Community College District	$ 125,821,425	28.890 %	$ 36,349,810
Stockton Unified School District	312,271,497	85.631	267,401,206
Lodi Unified School District	94,740,000	30.714	29,098,444
Lodi Unified School District School Facilities Improvement District No. 1	43,295,000	82.695	35,802,800
Lincoln Unified School District	59,661,941	87.365	52,123,655
Lincoln Unified School District Community Facilities District No. 1	28,937,007	82.166	23,776,381
Manteca Unified School District	58,881,814	15.473	9,110,783
Manteca Unified School District Community Facilities District No. 1989-1	30,031,013	100.000	30,031,013
Tracy Joint Unified School District and School Facilities Improvement Dist. No.3	79,464,637	0.006 & 0.010	6,088
City of Stockton Community Facilities District No. 1	12,570,000	100.000	12,570,000
City of Stockton Community Facilities District No. 90-1	1,875,000	100.000	1,875,000
City of Stockton Community Facilities District No. 90-2	9,515,000	100.000	9,515,000
City of Stockton Community Facilities District No. 90-4	4,680,000	100.000	4,680,000
City of Stockton Community Facilities District No. 99-02	18,900,000	100.000	18,900,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)	17,895,000	100.000	17,895,000
City of Stockton Community Facilities District No. 2003-1	2,750,000	100.000	2,750,000
City of Stockton Community Facilities District No. 2006-1	3,650,000	100.000	3,650,000
City of Stockton Community Facilities District No. 2006-3	6,050,000	100.000	6,050,000
City of Stockton 1915 Act Bonds	45,890,000	100.000	45,890,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	6,425,000	18.211	1,170,057
San Joaquin County Reclamation District No. 17 Assessment District	15,440,000	32.912	5,081,613
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			613,726,850
OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	168,325,000	31.805	53,535,766
Lincoln Unified School District Certificates of Participation	5,120,000	87.365	4,473,088
Lodi Unified School District Certificates of Participation	39,800,000	30.714	12,224,172
Stockton Unified School District Certificates of Participation	29,995,000	15.473	4,641,126
South San Joaquin Irrigation District Certificates of Participation	42,200,000	85.631	36,136,282
TOTAL OVERLAPPING GENERAL FUND DEBT			111,010,434
TOTAL OVERLAPPING DEBT			724,737,284
DIRECT GENERAL FUND DEBT:			
City of Stockton General Fund Obligations	**125,370,000**	**100.000**	**125,370,000**
City of Stockton Bond Insurer Obligations for payments made during bankruptcy	**10,394,722**	**100.000**	**10,394,722** (2)
City of Stockton Pension Obligations	**123,350,000**	**100.000**	**123,350,000**
City of Stockton Bond Insurer Obligations for pension bond payments made during bankruptcy	**7,994,653**	**100.000**	**7,994,653**
			267,109,375
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			378,119,808
Less: South San Joaquin Irrigation District (100% self-supporting)			36,136,282
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			341,983,526
GROSS COMBINED TOTAL DEBT (2)			991,846,658
NET COMBINED TOTAL DEBT			$ 991,846,658
2012-13 Assessed Valuation:	$ 16,479,101,977		
(after deducting $1,367,826,003 Other Exemptions Valuation)			
2012-13 Population	296,344		

Debt Ratios		Per Capita	Value
Total Gross Debt	$ 991,846,658	$ 3,347	6.02 %
Total Net Debt	991,846,658	3,347	6.02
Ratios to 2012-13 Assessed Valuation: Total Overlapping Tax and Assessment Debt	613,726,850		3.72
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	267,109,375		1.62

(1)The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2)Under Chapter 9 Bankruptcy, The City has defaulted on bond payments which are being made by Bond Insurers. These interest and principal payments have created a separate liability shown here.

(5)Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Sources: California Municipal Statistics, Inc., San Francisco, CA
San Joaquin County Auditor-Controller's Office
State of California, Department of Finance, Demographic Research Unit

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

	Fiscal Year				
	2013	2012	2011	2010	2009
Assessed valuation (1)	$16,479,102	$15,572,567	$16,340,562	$16,957,547	$18,903,286
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	$ 4,119,776	$ 3,893,142	$ 4,085,141	$ 4,239,387	$ 4,725,822
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	$ 617,966	$ 583,971	$ 612,771	$ 635,908	$ 708,873
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	$ 617,966	$ 583,971	$ 612,771	$ 635,908	$ 708,873
Legal debt margin/debt limit	100%	100%	100%	100%	100%

(1) Reflects City assessed valuation excluding other exemptions of $1,367,826,003. 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 $617,966.

Sources: City of Stockton Department of Administrative Services
California Municipal Statistics, Inc., San Francisco, CA
San Joaquin County Auditor-Controller's Office

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Fiscal Year				
2008	2007	2006	2005	2004
$19,281,142	$ 18,043,181	$ 15,761,940	$ 14,037,055	$ 12,313,597
25%	25%	25%	25%	25%
$ 4,820,286	$ 4,510,795	$ 3,940,485	$ 3,509,264	$ 3,078,399
15%	15%	15%	15%	15%
$ 723,043	$ 676,619	$ 591,073	$ 526,390	$ 461,760
-	-	-	-	-
$ 723,043	$ 676,619	$ 591,073	$ 526,390	$ 461,760
100%	100%	100%	100%	100%

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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 Principal	Debt Service Interest	Debt Service Total	Debt Coverage Ratio
Water Revenue Bonds							
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
2004	20,181	13,324	6,857	489	717	1,206	5.69
Wastewater Certificates of Participation (3)							
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
2004	48,932	22,418	26,514	1,640	5,079	6,719	3.95

(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 Principal	Debt Service Interest	Debt Service Total	Debt Coverage Ratio
Central Parking District Lease Revenue Bonds							
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
2004	3,360	1,861	1,499	6,180	390	6,570	0.23

**** 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 6 - 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

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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
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
2004	269,100	6,869	25,527	9.6	118,127	88,826	3.11	55,100	67,674

College and Graduate School Enrollment numbers for 2013 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

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CITY OF STOCKTON
TABLE 18
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year					
	2013			2003 (1)		
Employer	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
San Joaquin County	4,720	1	3.78 %	-	-	- %
St. Joseph's Medical Center	4,600	2	3.69	4,600	1	3.89
Stockton Unified School District	3,366	3	2.70	4,099	2	3.46
City of Stockton	1,862	4	1.49	1,683	3	1.42
Dameron Hospital	1,200	5	0.96	-		-
Pacific Gas and Electric	1,100	6	0.88	1,100	4	0.93
Kaiser Permanente	1,065	7	0.85	1,065	5	0.90
San Joaquin Delta College	1,000	8	0.80	1,000	6	0.84
University of the Pacific	900	9	0.72	900	9	0.76
Lincoln Unified School District	631	10	0.51	-		-
Washington Mutual	-	-	-	1,000	6	0.84
Unilever	-	-	-	1,000	6	0.84
SBC	-	-	-	800	10	0.68
Total	20,444		16.38 %	17,247		14.57 %

(1) Principle employer numbers from 2003 were used for comparison as 2004 numbers were not available.
Note: Principal employers are based on best available information.

Sources: San Joaquin Partnership Survey, September 2010
SJP Membership Directory 2010
"The Book of Lists" - San Joaqin Business Journal, Personal phone calls conducted by the San Joaquin Partnership back in 2003.

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CITY OF STOCKTON
TABLE 19
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM/DEPARTMENT
LAST FIVE FISCAL YEARS

	Fiscal Year				
	2013	2012	2011	2010	2009
Function/Program/Department:					
Admin Svcs (4)	89	90	94	87	90
City Attorney	8	9	8	11	14
City Auditor	-	4	4	3	4
City Clerk	5	6	6	5	6
City Council/Mayor	1	2	2	2	2
City Manager	19	19	19	22	24
Community Development	26	26	41	42	50
Community Services (1)	77	80	84	89	103
Human Resources	25	22	27	23	25
Police:					
Sworn	324	316	337	342	389
Non-sworn	167	162	161	173	194
Animal control	11	11	12	13	16
Total Police	502	489	510	528	599
Fire:					
Firefighters-sworn	168	176	220	229	244
Firefighters-auxiliary	26	24	17	24	27
Non-sworn personnel	23	24	24	25	27
Paramedic teams (2 per team)	-	-	-	-	-
Total Fire	217	224	261	278	298
Public Works (5)	132	125	136	139	196
Economic Development (2)	16	17	20	23	28
Water Utility (3)	41	42	37	37	35
Wastewater Utility (3)	144	144	132	133	105
Stormwater Utility (3)	3	4	4	3	6
Central Parking District (2)	-	-	-	-	-
Total	1,305	1,303	1,385	1,425	1,585

(1) Recreation and Library were combined in 2008/09 and reported as Community Services.

(2) Housing, Redevelopment, Central Parking, and Economic Development were combined in 2008/09 and reported as Revitalization. Revitalization Dept. was abolished and the Economic Development Dept. was established in 2010.

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

(4) Information Technology was combined with Administrative Service in 2008-2009.

(5) Parks was combined with Public Works in 2008/09.

Source: City of Stockton Human Resources Department

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CITY OF STOCKTON
TABLE 20
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST FIVE FISCAL YEARS

	Fiscal Year				
	2013	2012	2011	2010	2009
General government:					
Building permits issued	3,956	4,007	4,020	4,463	4,418
Business tax certificates:					
Retail sales and service	5,886	5,833	5,797	5,924	7,170
Rental Properties - Commercial and Residential	4,624	4,589	4,469	4,255	4,346
Wholesale	330	330	327	349	351
Manufacturers and processors	177	175	178	182	186
Professions	1,947	2,019	2,018	2,057	2,150
Miscellaneous contractors, peddlers, delivery vehicles, etc.	4,104	4,187	4,259	4,170	3,665
Improvement district and hotel/motel room tax	90	90	90	90	106
Utility billing/customer service:					
Utility bills issued	626,335	632,540	630,879	623,513	603,209
Utility accounts opened and closed	21,405	22,198	23,318	26,878	29,722
New service locations (water) added	113	1	142	208	231
Delinquency Notices Sent - Active Accounts	81,358	53,216	74,742	67,073	63,834
Water Service Terminated for Non-Payment	5,909	4,732	4,729	4,533	4,389
Utility customer service calls received	57,126	65,708	102,700	107,091	127,099
Utility customers using automated voice response (1)	195,478	124,804	130,719	125,295	N/A
Utility Customers Using Online Pmt/Account Access	26,430	23,365	22,397	13,032	9,854
Miscellaneous accounts receivable bills issued	44,243	24,665	26,071	29,592	26,895
Public safety:					
Police:					
Major reported crimes	19,859	20,110	19,752	19,712	20,310
Total arrests	10,585	9,206	11,322	15,892	20,986
Dispatched calls for service	119,276	125,939	134,368	150,705	150,429
Fire:					
Interior structure fire calls	364	347	422	412	382
Non-structural fire calls	1,117	1,152	1,145	1,193	783
Hazardous materials calls	226	194	249	253	289
Emergency medical calls	21,729	21,374	22,704	22,249	22,796
Total emergency calls	39,518	40,050	38,234	36,785	36,103
Total number of units dispatched	47,939	46,865	42,136	43,460	43,320
Public works:					
Miles of streets resurfaced	19	15	42	22	48
Fleet job orders completed	9,625	9,435	9,622	11,548	13,382

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CITY OF STOCKTON
TABLE 20 (Continued)
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST FIVE FISCAL YEARS

	Fiscal Year				
	2013	2012	2011	2010	2009
Library:					
Registered borrowers	209,823	222,151	286,600	268,128	331,356
Circulation of library materials	1,673,049	1,707,788	1,686,245	1,644,752	1,926,616
Reference, research and informational questions answered	228,240	220,343	228,119	248,692	827,851
Annual attendance at libraries	981,213	1,078,785	1,091,999	1,140,832	1,510,802
Number of programs offered	2,567	2,325	2,200	1,889	2,380
Annual attendance at programs	77,448	78,430	59,513	55,883	53,523
Parks and Recreation:					
Golf rounds:					
Swenson Park golf course	54,492	59,699	53,450	57,637	55,864
Van Buskirk golf course	24,316	27,047	23,400	29,830	27,095
Trees planted	5	14	420	1	50
Heritage tree removal-permits issued	16	14	24	3	24
After school program registration (number of participants)	23,365	16,996	44,379	44,856	55,860
Day camps in winter (number of participants)	39	19	17	N/A	77
Day camps in summer (number of participants)	1,418	499	789	1,090	1,277
Day camps at Children's Museum (number of participants)	N/A	N/A	N/A	842	314
Day camps in spring (number of participants)	924	34	32	103	66
Day camps in fall (number of participants)	202	52	64	114	175
Mobile recreation programs (number of participants)	-	-	-	-	-
Instructional classes	1,426	1,855	1,259	1,525	3,823
Softball/baseball diamonds bookings	73	2,839	2,780	2,959	3,372
Showmobile (Mobile Stage) bookings	34	24	26	11	32
Community center bookings	1,441	1,346	552	405	224
Picnic facility bookings	475	393	504	265	501
Adult sports (number of teams):					
Softball	348	324	324	358	548
Basketball	26	69	46	74	67
Volleyball	15	10	4	-	-
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants)	2,688	2,500	5,340	7,146	7,399

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CITY OF STOCKTON
TABLE 20 (Continued)
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST FIVE FISCAL YEARS

	Fiscal Year				
Parks and Recreation (cont.):	2013	2012	2011	2010	2009
Admissions to:					
Pixie Woods	12,161	13,357	20,020	20,632	26,558
Swimming pools	N/A	N/A	N/A	5,143	17,028
Teen Center	N/A	N/A	N/A	18,119	13,708
Silver Lake	N/A	N/A	N/A	N/A	1,250
Children's Museum	N/A	N/A	N/A	40,636	49,274
Oak Park Tennis	N/A	N/A	N/A	N/A	19,329
Senior Center memberships	943	678	813	1,410	991
Civic Auditorium bookings	157	60	41	46	270
Parks and Recreation sponsored events	-	-	-	2	9
Philomathean Club bookings	-	-	-	-	-
Weber Point Events Center bookings	43	18	15	12	16
Economic Development: (2)					
Rental Housing Units	91	110	-	65	-
Owner Housing (Emergency Repair or Rehabilitation)	8	7	7	12	12
Down Payment Assistance	2	1	17	13	2
Special Needs (Homes Repaired or Rehabilitated)	7	12	5	3	4
Public Facilities (Rehabilitated or Constructed)	-	2	5	2	4
Façade Program (Commercial Façade Repair/Rehabilitated)	2	-	1	-	5
Public Services Provided	189,606	85,296	75,572	5,661	41,973
Homeless Services Provided	4,420	4,465	5,078	4,177	4,887
Meals Provided to Homeless	519,740	573,591	537,361	567,767	430,790
Jobs Created and/or Retained	14	7	18	-	-
Water utility:					
New connections (DUE's) (3)	219	236	654	232	209
Water main breaks	16	19	16	14	26
Wastewater utility:					
Average daily influent (million gallons per day)	33 mgd	24 mgd	29 mgd	31 mgd	33 mgd

(1) Information not yet available for 2009. Call center information servers were replaced and data from former server was not yet retrievable.

(2) Housing Dept. was abolished and Economic Development Dept. was established in FY 2010.

(3) Changed reporting to Dwelling Unit Equivalent (DUE) in 2011 to more accurately reflect our 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

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CITY OF STOCKTON
TABLE 21
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT
LAST SIX FISCAL YEARS

	Fiscal Year			Fiscal Year		
	2013	2012	2011	2010	2009	2008
General government:						
Land use-square miles:						
Residential	24.83	33.55	33.53	33.69	33.04	33.04
Mixed use	4.31	4.68	4.68	4.68	4.74	1.61
Commercial	4.48	5.49	5.51	5.50	5.56	5.46
Industrial	12.87	11.42	11.42	11.28	10.56	10.56
Institutional	4.05	5.54	5.54	5.32	5.29	5.29
All other uses	3.29	3.79	3.60	3.41	3.22	3.22
Total square miles	53.83	64.47	64.28	63.88	62.41	59.18
Public safety:						
Police:						
Facilities:						
Stations and substations	1	1	2	3	5	5
Animal control facility	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1
Vehicles:						
Marked patrol cars	145	157	138	162	160	175
Motorcycles and scooters	34	34	33	39	37	42
Animal control vehicles	9	9	9	9	9	9
VIPS vehicles	7	7	7	6	7	7
Other automobiles	154	165	158	221	217	131
Other mobile units (all others)	15	15	15	13	43	40
Public area security cameras	76	76	76	76	76	76
Fire:						
Fire stations	11	12	13	13	13	13
Training facilities	1	1	1	1	1	1
Fire hydrants (2)	8,959	8,608	8,558	8,505	8,458	8,508
Public works:						
Miles of streets	760	760	760	776	757	754
Traffic signals	307	303	303	303	301	291
Street light fixtures	19,195	19,188	19,188	20,186	20,095	20,095

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CITY OF STOCKTON
TABLE 21 (Continued)
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT
LAST SIX FISCAL YEARS

	Fiscal Year			Fiscal Year		
	2013	2012	2011	2010	2009	2008
Parks and recreation:						
Arena	1	1	1	1	1	1
Ballpark	1	1	1	1	1	1
Baseball/softball diamonds	54	54	54	54	54	54
Bike/jogging paths (miles)	20	20	20	20	20	20
Boating facilities - launch lanes	10	10	10	10	10	10
Children's Museum	1	1	1	1	1	1
Civic Auditorium (2,800 capacity)	1	1	1	1	1	1
Community centers	5	5	5	5	6	6
Dog Areas	3	1	1	1	1	1
Family camps	1	1	1	1	1	1
Golf course acreage	371	371	371	371	371	371
Group picnic areas	31	31	31	31	31	30
Gymnasium	5	5	5	5	1	1
Ice rink	1	1	1	1	1	1
Municipal golf courses	3	3	3	3	3	3
Park acreage	625	625	625	625	643	639
Parks and squares	67	67	67	67	67	66
Philomathean Club	1	1	1	1	1	1
Playgrounds	71	71	71	71	71	71
Senior center	1	1	1	1	1	1
Showmobile (Mobile Stage)	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1
Swimming pools	7	4	4	4	4	4
Teen Center	1	1	1	1	1	1
Tennis courts	1	67	67	67	67	67
Theater (Bob Hope)	1	1	1	1	1	1
Weber Point Events Center	1	1	1	1	1	1
Consolidated landscape maintenance districts:						
Streetscaping (square feet) (5)	3.6 million	2.2 million	2.2 million	2.2 million	2.2 million	2.2 million
Public open spaces (acreage) (5)	70	68	68	68	68	68

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CITY OF STOCKTON
TABLE 21 (Continued)
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT
LAST SIX FISCAL YEARS

	Fiscal Year			Fiscal Year		
	2013	2012	2011	2010	2009	2008
Library:						
Central library (4)	-	-	1	1	1	1
City branches	4	4	3	4	4	4
Library mobile units	2	2	2	2	2	2
San Joaquin County branches	8	8	8	8	8	8
Total items in collection	916,785	893,661	954,044	1,030,157	1,099,966	1,109,819
Cargo delivery van	2	2	2	2	2	2
Cargo van	1	1	1	1	1	1
Undeveloped land for branch library	2	2	2	2	2	2
Integrated library system	1	1	1	1	1	1
Microform readers	7	5	5	2	2	5
Microform readers/printers	7	7	7	5	6	3
Self check out machines	28	15	15	14	15	14
Water utility:						
Water main lines (miles)	665	629	612	612	612	612
Storage capacity (thousand gallons)	26,200	22,200	22,200	19,200	19,200	18,800
Water wells (active)	21	22	22	32	33	40
Water reservoirs	8	7	7	6	6	6
Wastewater utility:						
Wastewater main lines (miles) (1)	928	923	923	922	920	920
Treatment capacity (million gals/day)	55	55	55	55	55	48
Wastewater pump stations	27	27	24	25	25	25
Stormwater utility:						
Stormwater main drain lines (miles) (3)	488	488	488	863	1072	802
Stormwater pump stations	72	72	72	75	75	73
Central parking district:						
Parking spaces	3,656	3461	5,568	5,535	5,535	5,262
Parking lots & garages	21	19	22	22	22	20

(1) Collections main line data prior to 2008 was determined by actual and estimated distances via a manual system. In 2008/09, a geographic information system interface was made available to more accurately determine the size of the collections system. The system size for 2008 has been reduced to not exceed the actual current system size.

(2) Port of Stockton fire hydrants retired or inactivated in 2008/09

(3) Years prior to 2011 reflected "all" stormwater drain lines instead of just the "main" stormwater drain lines.

(4) Prior to fiscal year ended June 30, 2012, the Central Library total was reported separate from the City Branches total.

(5) Prior to fiscal year ended June 30, 2012, the consolidated landscape maintentance figures used were approximate figures in the Agenda Report to Council.

Source: City of Stockton Departments