



CITY OF STOCKTON

FISCAL YEAR 2018-19

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019
CITY OF STOCKTON, CALIFORNIA**

Prepared and Issued by
Administrative Services Department

MATT PAULIN
Chief Financial Officer



City of Stockton
Comprehensive Annual Financial Report
For the year ended June 30, 2019

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CITY OF STOCKTON

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www.stocktongov.com

November 27, 2019

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

The Stockton City Charter, federal grant regulations and agreements with investors, require the City of Stockton, California (“City”) to publish a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (“GAAP”) and audited by a firm of licensed, certified public accountants. Under those requirements, we respectfully submit the Comprehensive Annual Financial Report (“CAFR”) of the City of Stockton for the fiscal year (“FY”) ended June 30, 2019.

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

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

THE LOCAL ECONOMY

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

In January 2019, Stockton's population was 316,410 according to the California Department of Finance, which represents a 0.8% increase over last year's population estimate of 313,822. The latest University of the Pacific (UOP) forecast (unless otherwise noted, all economic data is from UOP's Center for Business and Policy Research February 2019 California and Metro Forecast Report) projects that the population in the Stockton metropolitan area will continue to increase at a rate of approximately 1.3% through 2022. As the 13th largest city in California, Stockton is comparable in size to other cities such as Pittsburgh, St. Paul, Cincinnati, and St. Louis.

The area's unemployment rate continued to decrease, from 5.0% in September 2018, to 4.7% in September 2019 (per the California Employment Development Department), however unemployment rates remain higher than the California and U.S averages. The average annual wage in the Stockton area is expected to be \$54,899 in 2019, an increase of 2.8% from the previous year. Per capita income, expected to be \$46,300 in 2019, will increase each year through 2022, reaching \$51,100 in 2022. Per the Bureau of Labor Statistics, non-farm employment growth (not seasonally adjusted) increased 0.1% from July 2018 to July 2019.

Housing starts are expected to continue to increase in 2019 and stay relatively level through 2022. Zillow indicates the median home value in Stockton is approximately \$303,000, which represents a 4.0% increase over the past year. Home prices are expected to continue to rise in 2020 by 1.6% with sales volume staying stable.

FINANCIAL CONDITION HIGHLIGHTS

Financial results for the year compare favorably with budget estimates in most areas of the City's operations. For the General Fund, financial results for the year were better-than-estimated. Expenditures (including encumbrances and carryovers and other uses of funds) came in 0.6% under budget. Revenues (including other sources of funds) were 3.8% above projections. As a result, the General Fund balance at June 30, 2019 (excluding related funds), of \$13.6 million was combined with prior year reserve funds of \$87.4 million for a total of \$104.0 million available to fund reserves. In addition to the General Fund reserves, the City deposited \$8.8 million into its PARS Public Agencies Post-Employment Benefits Trust, an IRS Section 115 trust that is restricted for pension costs. The \$104.0 million is enough to fund the 17% operating reserve (\$38.4 million) and set aside \$41 million for known contingencies and \$5 million for the other reserve categories.

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

The Statement of Net Position (revenues and sources of funds less expenses and uses of funds) for the City is

approximately \$1.38 billion. The City's net position is approximately \$90.5 million higher, or 7%, than the prior fiscal year, mostly in Governmental Activities.

The City's Long-Range Financial Plan

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

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

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

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

The City's Irrevocable Post-Employment Benefits Trust

On November 7, 2017, the City created an irrevocable post-employment benefits trust program, also known as an Internal Revenue Code Section 115 trust (Trust) and deposited \$21.2 million (\$18.6 million General Fund) into the Trust. This Trust is designed to pre-fund pension costs and offset GASB 68 net pension liabilities. The City deposited another \$8.8 million (\$4.8 million General Fund) into the Trust on February 5, 2019. The Trust allows the City to set aside funds through a tax-exempt funding mechanism to mitigate long-term contribution rate volatility. The Trust will allow the City to control the assets and when the City utilizes them. Also, the statutory investment restrictions that apply to the City's investment portfolio are not applicable to assets held in a post-employment benefits trust. The City will strive to accrue an amount in the Trust sufficient to fund annual CalPERS costs during economic downturns or other periods when annual revenues are forecast to be insufficient.

Access to the Financial Markets

In August 2018, Standard & Poors upgraded its ratings on debt backed by the City's General Fund four notches (from B- to BB), with a continuing positive outlook. In April 2019, Moody's issued an issuer upgrade for the City's General Fund of A3, from Baa1. Bond ratings for debt issued by the City's Municipal Utilities Department also remained stable with ratings of A or A- and with positive outlooks. The City accessed the financial market four times in 2019. The first transaction was the refunding of approximately \$52.7 million of outstanding water bonds mainly related to the construction of the Delta Water Treatment Plant. The second issuance was \$118.5 million of short-term debt to support the design-build project to renovate and modernize the Regional Wastewater Control Facility. The other two transactions were land-based issuances of \$9.9 million and \$2.8 million respectively that supported residential development.

The City does not anticipate any bond issuances backed by the General Fund; however, the City does plan on incurring over \$290 million in debt (a combination of rate bonds, State Revolving Fund loans and Water Infrastructure Finance and Innovation Act loans) over the next several years to upgrade its wastewater facilities, including the renovation of the Regional Wastewater Control Facility.

RESERVE POLICIES

The City's General Fund reserve policy calls for the City to maintain a 17% operating reserve (approximately two months of expenditures) and establishes additional reserves for known contingencies, unforeseen revenue changes, infrastructure failures, and catastrophic events. The known contingencies include amounts to address staff recruitment and retention, future CalPERS costs, replacement of public safety radio infrastructure, and replacement of the City's financial system. Approximately \$170 million would be needed to fund all the reserve categories fully, and on November 5, 2019, the City

placed \$46 million into reserves. The City had previously committed an additional \$30 million towards pension costs by depositing that amount in the City's Public Agencies Post-Employment Benefits Trust. Combined, the City has set aside nearly \$74.5 million for future expenditures and protection against economic uncertainties.

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

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

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

DEBT POLICY AND ANNUAL CONTINUING DISCLOSURES

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

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

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

INVESTMENT POLICY

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

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

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

CASH AND INVESTMENTS

The California Government Code and the City's investment policy adopted in compliance with that Code define how the City can invest its cash. The City's policy also outlines the principles for maximizing the efficiency of the City's cash management operations while meeting the daily cash flow demands of the City. The average overall rate of return on funds not held by fiscal agents for the fiscal year ending June 30, 2019, was 4.75%. This amount includes both realized and unrealized gains distributed to funds. Absent unrealized Fair Market Value gains and Accrued Interest amounts distributed on June 30, 2019, distributed returns would have been 1.72%.

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

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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

understanding of the information presented in the CAFR.

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

INDEPENDENT AUDIT

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

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

The independent auditors issued an unmodified opinion for the fiscal year ended June 30, 2019.

SINGLE AUDIT REPORT TO FEDERAL GRANTING AGENCIES

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

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

RISK MANAGEMENT

During FY 2018-19 the City continued its self-insurance program for General Liability, Property, and Workers' Compensation. The City is a member of the California Joint Powers Risk Management Authority for General Liability and All Risks Property Program which is primarily underwritten by various insurance companies. The Property All Risks coverage is up to \$400 million per occurrence with a \$100,000 deductible. The self-insured retention ("SIR") for General Liability is \$1 million. The City is also a member of the California State Association of Counties – Excess Insurance Authority insurance pool for excess Workers' Compensation coverage. The SIR is \$500,000.

INTERNAL CONTROLS AND LIMITATIONS

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

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

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

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,



LAURIE MONTES
INTERIM CITY MANAGER



MATT PAULIN
CHIEF FINANCIAL OFFICER

CITY OF STOCKTON CITY COUNCIL



MICHAEL TUBBS
MAYOR



DAN WRIGHT
VICE MAYOR
District 2



SOL JOBRAK
COUNCILMEMBER
District 1



PAUL CANEPA
COUNCILMEMBER
District 3



SUSAN LENZ
COUNCILMEMBER
District 4



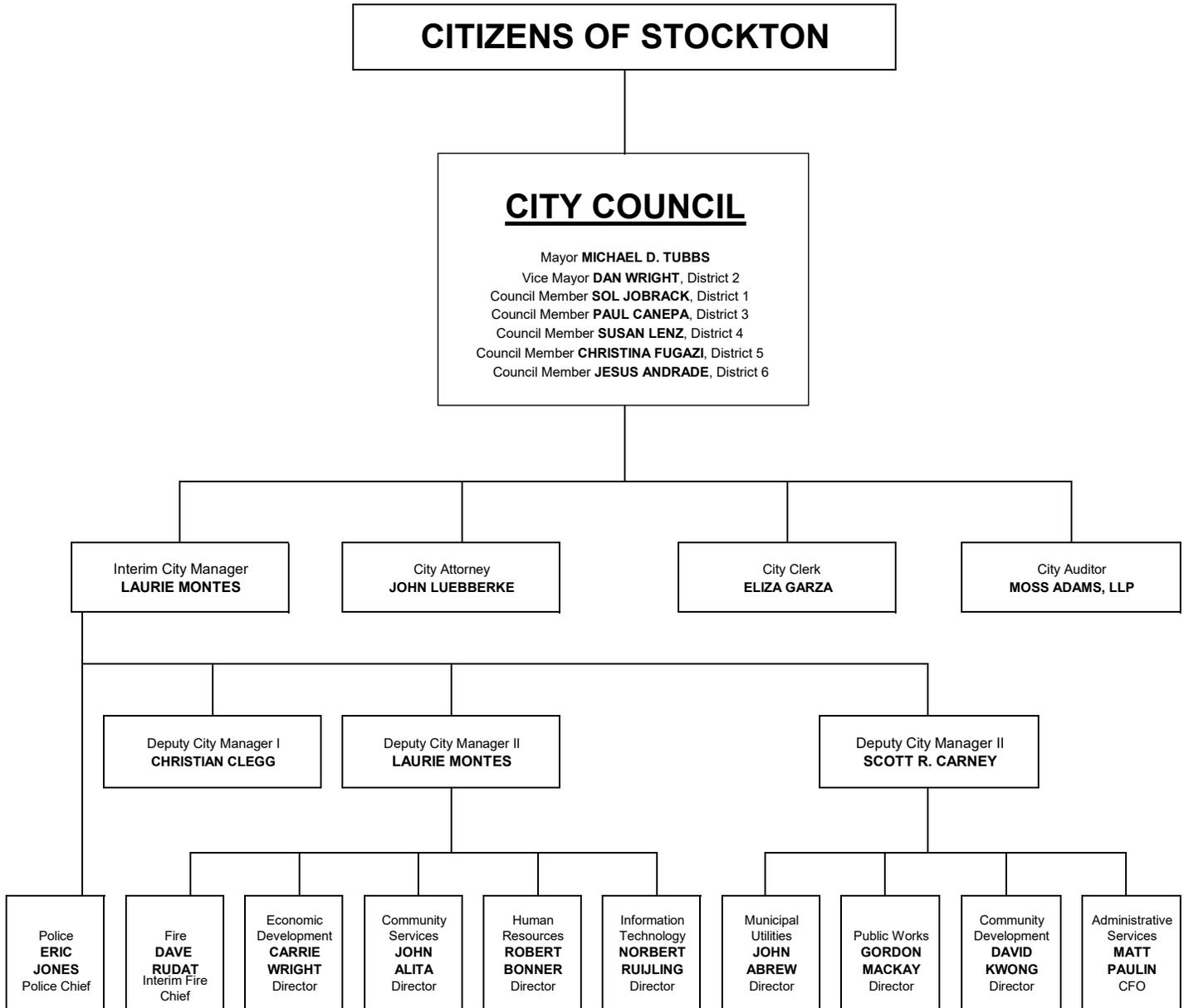
CHRISTINA FUGAZI
COUNCILMEMBER
District 5



JESUS ANDRADE
COUNCILMEMBER
District 6



CITY OF STOCKTON ORGANIZATION CHART AS OF JUNE 30, 2019





CITY OF STOCKTON



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockton, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedules – General Fund, Home Program Loans Special Revenue Fund, and Low and Moderate-Income Housing City Loans Special Revenue Funds, Schedules of Changes in Net Pension Liability and Related Ratio, and Schedules of Plan Contributions, on pages 6 to 17 and 112 to 124 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements, Schedule of Sources and Uses – Measure A and B, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.





CITY OF STOCKTON



MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**



JUNE 30, 2019

INTRODUCTION

As management of the City of Stockton (“City”), we offer readers of the City’s financial statements this overview and analysis of the City’s financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements, and the Notes to the Financial Statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide:

- The City’s total net position for the governmental and business-type activities show that, as of June 30, 2019, total assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$1.38 billion. Of this amount, \$416.0 million represents the unrestricted net position, \$232.4 million is restricted for City's ongoing obligation related to programs with external restrictions and \$727.0 million represents the City's net investment in capital assets, less any related outstanding debt used to acquire those assets.
- Governmental revenues and transfers total \$394.6 million and include program revenues of \$112.1 million and general revenues of \$282.5 million. Governmental expenses were \$321.0 million.
- Business-type program revenues, other taxes, and investment earnings were \$137.9 million while business-type expenses were \$121.3 million.

Fund Level:

- The City’s Governmental Funds reported a combined ending fund balance of \$273.9 million at the close of June 30, 2019, an increase of \$39.5 million compared with the prior fiscal year. The General Fund balance in this report as of June 30, 2019, was \$104.0 million absent encumbrances. Included in this fund balance and under the guidance of the Reserve and Fund Balance Policy – General Fund (excluding related funds), Council took action to entirely fund the priority one working capital reserve at \$38.4 million, known contingency reserves at \$41.0 and partially fund risk-based reserves at \$5.0 million.
- Governmental Fund revenues increased from the prior fiscal year by 9.6 percent. The largest increase was in the sales tax, revenues from other agencies, property taxes, and interest earnings.
- Governmental Fund expenditures decreased by 2.7 percent compared to the prior fiscal year. Most departments ended the year at or just below expectations with a few exceptions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s Comprehensive Annual Financial Report consists of four main components: 1) management’s discussion and analysis, 2) the basic financial statements, 3) required supplemental information, and 4) combining non-major fund financial statements. The basic financial statements include two kinds of statements that present different views of the City, the government-wide and the fund financials statements.

- The government-wide financial statements provide both long-term and short-term information about the City’s overall financial status.
- The fund financial statements focus on individual part of the City government, reporting the City’s operations in more detail than the government-wide statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

The basic financial statements also include notes that provide additional information essential to understanding the data contained in the government-wide and fund financial statements. The statements and notes are followed by the Schedule of Changes in Net Pension Liability and Relations Ratios and Schedule of Changes in Contributions for the City's pension plans which are required supplemental information. In addition to these required elements, we have included combining statements and schedules that provide details about the City's other Governmental Funds, other Enterprise Funds, the Water Enterprise Fund, the Wastewater Enterprise Fund, Internal Service Funds, Investment Trust Funds, and Agency Funds, each of which is presented in a column in the basic financial statements.

Government-Wide Financial Statements:

The government-wide financial statements report information about the City using accounting methods like those used by private-sector companies. The statement of net position includes all the City's assets and liabilities as well as any deferred outflows and inflows of resources. The statement of activities includes all current year revenues and expenses regardless of when cash is received or paid. These government-wide statements report the City's net position and how the City's net position has changed during the fiscal year. Over time, increases or decreases in position may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

- Governmental activities – Most of the City's basic services are included here, such as police, fire, public works, community development, parks and recreation, and general government. Taxes and state and federal grants finance most of these activities.
- Business type activities – Certain services provided by the City are funded by customer fees. Among these are the City's utility services, parking authority and other non-major enterprise funds.

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

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

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements:

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate finance-related legal compliance. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole. The City has three types of fund financial statements: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds – Governmental Fund statements tell how general government services such as police, fire and public works, among others, were financed in the short term as well as what remains for future spending. Most of the City's basic services are included in Governmental Funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between Governmental Funds and Governmental Activities follow the Governmental Fund Statements.

The basic Governmental Fund Financial Statements can be found on pages 20-26 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Fund Financial Statements, Continued:

Proprietary Funds- Services for which customer fees are intended to finance the costs of operations are generally reported in Proprietary Funds. Proprietary Fund statements, like the government-wide statements, provide short-term and long-term financial information about the activities the City operates like businesses, such as utility services, parking facilities, golf and marina operations. Data for remaining Non-major Enterprise Funds are combined into a single, aggregated presentation.

The basic Proprietary Fund financial statements can be found on pages 28-37 of this report.

Fiduciary Funds – Fiduciary Fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The City is the trustee, or fiduciary, for a closed pension plan. It is also responsible for other assets, reported in an investment trust fund, which because of trust agreements, can be used only for the trust beneficiaries. The City elected to serve as the Successor Agency for its former Redevelopment Agency which was dissolved by state law. The Successor Agency activity is accounted for in a Private Purpose Trust Fund. The City is responsible for ensuring that assets reported in these funds are used for their intended purposes. All the City's fiduciary activities are reported in a separate statement of fiduciary new position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these resources to finance its operations.

The basic Fiduciary Fund's financial statement can be found on pages 40-41 of this report.

Notes to the Basic Financial Statements

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

The notes to the financial statements can be found on pages 45-107 of this report.

Other information

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

Required supplementary information can be found on pages 111-120 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's net position may serve over time as a useful indicator of a government's financial health or financial position. As of June 30, 2019, the City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1.38 billion which is an increase of \$90.5 million or 7.0 percent compared to the prior fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

Analysis of Net Position, Continued:

The following is the condensed statement of net position for the fiscal years ended June 30, 2019, and 2018 (amounts in thousands):

| | Governmental | | Business-Type | | Total | |
|--|--------------|------------|---------------|------------|--------------|--------------|
| | Activities | | Activities | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Assets: | | | | | | |
| Current and other assets | \$ 630,729 | \$ 564,282 | \$ 212,414 | \$ 207,321 | \$ 843,143 | \$ 771,603 |
| Capital assets | 771,427 | 760,120 | 686,983 | 700,657 | 1,458,410 | 1,460,777 |
| Total assets | 1,402,156 | 1,324,402 | 899,397 | 907,978 | 2,301,553 | 2,232,380 |
| Deferred Outflow of Resources: | | | | | | |
| Unamortized loss on refunding of debt | - | 420 | 8,779 | 1,987 | 8,779 | 2,407 |
| Pension-related deferred outflows of resources | 110,140 | 123,782 | 3,283 | 3,541 | 113,423 | 127,323 |
| Total Deferrals-Outflows | 110,140 | 124,202 | 12,062 | 5,528 | 122,202 | 129,730 |
| Liabilities: | | | | | | |
| Current and other liabilities | 60,024 | 58,613 | 23,535 | 23,163 | 83,559 | 81,776 |
| Long-term obligations | 118,280 | 131,741 | 304,301 | 325,705 | 422,581 | 457,446 |
| Net Pension liability | 499,463 | 493,360 | 17,312 | 15,852 | 516,775 | 509,212 |
| Total liabilities | 677,767 | 683,714 | 345,148 | 364,720 | 1,022,915 | 1,048,434 |
| Deferred Inflow of Resources: | | | | | | |
| Deferred Rent | - | 1,106 | - | - | - | 1,106 |
| Pension-related deferred inflows of resources | 23,691 | 26,574 | 1,668 | 1,007 | 25,359 | 27,581 |
| Total Deferrals Inflows | 23,691 | 27,680 | 1,668 | 1,007 | 25,359 | 28,687 |
| Net position: | | | | | | |
| Net investment in capital assets | 346,021 | 328,284 | 381,015 | 367,317 | 727,036 | 695,601 |
| Restricted | 203,995 | 170,507 | 28,411 | 46,805 | 232,406 | 217,312 |
| Unrestricted (deficit) | 260,822 | 238,421 | 155,217 | 133,656 | 416,039 | 372,077 |
| Total net position | \$ 810,838 | \$ 737,212 | \$ 564,643 | \$ 547,778 | \$ 1,375,481 | \$ 1,284,990 |

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

- The investment in capital assets (e.g., infrastructure, land, buildings, improvements other than buildings, construction in progress, and equipment), less any related debt used to acquire assets still outstanding, represents the largest portion of the City's net position of \$727.0 million or 52.9 percent. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports its investment in its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources because proceeds from the sale of capital assets are not used to liquidate these liabilities.
- External restrictions represent \$232.4 million or 16.9 percent of net position and are subject to various external restrictions on how they may be used. Creditors, grantors, contributions or laws and regulations of other governments have imposed this component of the net position; or it has been imposed by law through enabling legislation or constitutional provisions.
- The unrestricted net position of \$416.0 million or 30.2 percent can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions.
- Information about changes in net position for FY 2018-19 and FY 2017-18 is summarized below. The CAFR discusses the reasons for the changes in the sections for governmental activities and business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

Analysis of Net Position, Continued:

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|------------|-----------------------------|------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 53,059 | \$ 59,464 | \$ 129,676 | \$ 130,687 | \$ 182,735 | \$ 190,151 |
| Operating grants and | | | | | | |
| Operating grants and contributions | 13,446 | 12,402 | 3,643 | 3,855 | 17,089 | 16,257 |
| Capital grants and contributions | 45,632 | 21,426 | 4,626 | 6,245 | 50,258 | 27,671 |
| General revenues: | | | | | | |
| Property taxes | 35,739 | 33,112 | - | - | 35,739 | 33,112 |
| In lieu of sales tax | - | - | - | - | - | - |
| Utility user taxes | 34,252 | 35,415 | - | - | 34,252 | 35,415 |
| Sales and use taxes (City levied) | 57,911 | 52,788 | - | - | 57,911 | 52,788 |
| Franchise taxes | 12,307 | 13,243 | - | - | 12,307 | 13,243 |
| Business licenses | 19,958 | 13,507 | - | - | 19,958 | 13,507 |
| Hotel/motel room taxes | 3,377 | 3,193 | - | - | 3,377 | 3,193 |
| Document transfer taxes | 1,071 | 1,078 | - | - | 1,071 | 1,078 |
| Other taxes | 2,905 | 2,916 | 1,341 | 1,271 | 4,246 | 4,187 |
| Motor vehicle fees in lieu | 23,599 | 29,091 | - | - | 23,599 | 29,091 |
| Sales and use taxes (State levied) | 57,151 | 68,467 | - | - | 57,151 | 68,467 |
| Other shared revenue | - | 165 | - | 100 | - | 265 |
| Investment earnings | 18,438 | 899 | 7,920 | 233 | 26,358 | 1,132 |
| Miscellaneous | 7,810 | 4,083 | - | - | 7,810 | 4,083 |
| Loss sale of capital assets/loan forgiveness | (1,102) | (203) | - | 20 | (1,102) | (183) |
| Transfer from Successor Agency | - | 734 | - | - | - | 734 |
| Total revenues | 385,553 | 351,782 | 147,206 | 142,411 | 532,759 | 494,191 |
| Expenses | | | | | | |
| General government | 37,821 | 37,259 | - | - | 37,821 | 37,259 |
| Public safety | 199,263 | 212,181 | - | - | 199,263 | 212,181 |
| Public works | 37,168 | 38,435 | - | - | 37,168 | 38,435 |
| Library | 13,501 | 12,301 | - | - | 13,501 | 12,301 |
| Parks and recreation | 27,288 | 23,753 | - | - | 27,288 | 23,753 |
| Interest and fiscal charges | 5,958 | 5,964 | - | - | 5,958 | 5,964 |
| Water utility | - | - | 46,641 | 39,526 | 46,641 | 39,526 |
| Wastewater utility | - | - | 58,093 | 41,648 | 58,093 | 41,648 |
| Stormwater utility | - | - | 7,419 | 4,729 | 7,419 | 4,729 |
| Central parking district | - | - | 5,501 | 5,310 | 5,501 | 5,310 |
| Other | - | - | 3,613 | 3,299 | 3,613 | 3,299 |
| Total expenses | 320,999 | 329,893 | 121,267 | 94,512 | 442,266 | 424,405 |
| Increase/(decrease) in net position before transfers | 64,553 | 21,889 | 25,939 | 47,898 | 90,493 | 69,786 |
| Transfers | 9,074 | 389 | (9,074) | (389) | - | - |
| Special Item: | - | 6,203 | - | 3,540 | - | 9,743 |
| Change in net position | 73,627 | 28,481 | 16,865 | 51,049 | 90,493 | 79,529 |
| Net position, beginning | 737,213 | 708,732 | 547,777 | 496,728 | 1,284,990 | 1,205,460 |
| Net position, end of year | \$ 810,838 | \$ 737,213 | \$ 564,642 | \$ 547,777 | \$ 1,375,481 | \$ 1,284,990 |

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

Analysis of Net Position, Continued:

Governmental activities: The change in net position increased by \$73.6 million compared to the prior fiscal year due to these significant variances:

- Total governmental activities revenues have increased by \$33.8 million or 9.6 percent compared to the prior fiscal year. The increases were mostly attributable to increased sales tax revenue, grant program revenues, increased development activity, and debt refinancing. At \$17.5 million compared to the prior fiscal year, investment earnings represent almost half of the revenue increase.
- Capital grants and contributions increased from the prior year primarily due to \$8.0 million in additional Measure K revenues and \$7.0 million in additional state and federal grant monies.
- Total governmental activities expenses show an decrease of \$8.9 million.

Business-type activities: The change in net position increased by \$16.9 million compared to the prior fiscal year due to investment earnings and water rate increases to cover operating costs and capital commitments.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. This analysis should be read in conjunction with fund financial statements beginning on page 20.

Governmental Funds

As of June 30, 2019, the City's Governmental Funds reported a combined ending balance of \$273.9 million, an increase of \$39.5 million compared to the prior fiscal year. The total fund balance of the Governmental Funds consists of the following:

- The non-spendable fund balance of \$4.0 million were amounts that inherently cannot be spent such as inventories and prepaid items. Also, long-term loans and notes receivable, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Restricted fund balance of \$173.5 million that is based on restrictions imposed by external parties or enabling legislation.
- Committed fund balance of \$53.0 million was constrained for a specific purpose by the City Council through resolution. It would require action by the same group to remove or change the constraints placed on the resources.
- Assigned fund balance of \$4.1 million was constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. The amount reported as assigned should not result in a deficit in the unassigned fund balance.
- The unassigned fund balance of \$39.2 million includes \$38.4 million for the working capital reserve established in the Reserve and Fund Balance Policy-General Fund to accommodate normal fluctuations in the timing of revenues and unforeseen operational costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

Governmental Funds, Continued:

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

| Revenue by Source | 2019 | | 2018 | | Increase/(Decrease) | |
|----------------------------|-------------------|------------------|-------------------|------------------|---------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| Property taxes | \$ 35,342 | 9.6% | \$ 33,112 | 9.6% | \$ 2,230 | 6.7% |
| Utility user | 34,252 | 9.3% | 35,415 | 10.3% | (1,163) | -3.3% |
| Sales tax - levied by City | 57,911 | 15.7% | 52,788 | 15.3% | 5,123 | 9.7% |
| Franchise fees | 12,307 | 3.3% | 13,243 | 3.8% | (936) | -7.1% |
| Business license | 13,215 | 3.6% | 13,507 | 3.9% | (292) | -2.2% |
| Transient occupancy tax | 3,377 | 0.9% | 3,193 | 0.9% | 184 | 5.8% |
| Document Transfer/other | 3,976 | 1.1% | 4,043 | 1.2% | (67) | -1.7% |
| License and permits | 6,744 | 1.8% | 6,214 | 1.8% | 530 | 8.5% |
| Intergovernmental | 134,688 | 36.4% | 124,831 | 36.3% | 9,857 | 7.9% |
| Charges for services | 27,227 | 7.4% | 29,377 | 8.5% | (2,150) | -7.3% |
| Fines and forfeitures | 1,277 | 0.3% | 1,247 | 0.4% | 30 | 2.4% |
| Use of money and property | 12,460 | 3.4% | 9,528 | 2.8% | 2,932 | 30.8% |
| Interest income | 11,758 | 3.2% | 1,063 | 0.3% | 10,695 | 1006.1% |
| Refunds and reimbursements | 6,614 | 1.8% | 7,887 | 2.3% | (1,273) | -16.1% |
| Miscellaneous | 8,649 | 2.3% | 8,596 | 2.5% | 53 | 0.6% |
| Total | \$ 369,797 | 100.0% | \$ 344,044 | 100.0% | \$ 25,753 | 7.5% |

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

- Interest income was higher than the prior year as a result of more favorable interest rates and more funds on deposit.
- Intergovernmental revenues were higher than the prior year with the receipt of Measure K funds for capital projects, additional state Gas Tax revenues, and general growth in sales tax activity.
- Sales tax – levied by City reflects an increase from general growth in transaction tax revenues and the late remittance of transaction tax revenue earned in the prior fiscal year.

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

| Expenditures by Function | 2019 | | 2018 | | Increase/(Decrease) | |
|--------------------------|-------------------|------------------|-------------------|------------------|---------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| Current: | | | | | | |
| General government | \$ 30,537 | 9.2% | \$ 26,761 | 8.3% | \$ 3,776 | 14.1% |
| Public safety | 189,824 | 57.1% | 184,426 | 56.9% | 5,398 | 2.9% |
| Public works | 19,793 | 6.0% | 18,852 | 5.8% | 941 | 5.0% |
| Library | 13,789 | 4.2% | 12,416 | 3.8% | 1,373 | 11.1% |
| Parks and recreation | 26,006 | 7.8% | 22,462 | 6.9% | 3,544 | 15.8% |
| Capital outlay | 35,158 | 10.6% | 51,210 | 15.8% | (16,052) | -31.3% |
| Debt service | 17,105 | 5.1% | 7,971 | 2.5% | 9,134 | 114.6% |
| Total | \$ 332,212 | 100.0% | \$ 324,098 | 100.0% | \$ 8,114 | 2.5% |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

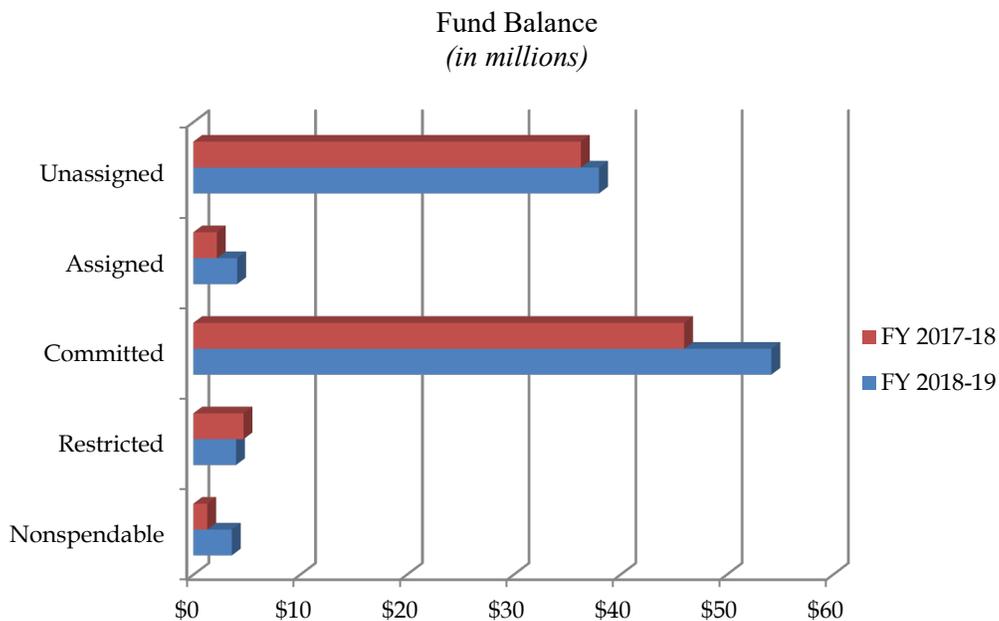
Governmental Funds, Continued:

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

- Public safety expenditures increased \$5.4 million, of which \$4.0 million was for salary and benefit expenses attributable to lower staff vacancies and employee salary merit increases.
- Public works expenditures were higher as a result of additional Gas Tax and Measure K revenues.
- Expense for Library and Recreation activities increased with the continued restoration and expansion of services funded by Strong Communities transaction tax revenues.
- Capital outlay expenditures decreased by \$16.1 million compared to the prior fiscal year primarily due to the purchase of the Waterfront Towers buildings in FY2018. This one-time expenditure caused the prior year's capital outlay to be significantly higher than normal.
- General government and debt service expenditures increased by \$9.1 million due to the retirement of the 2006A ESB Lease revenue bonds.

General Fund

Below is a graph that depicts the change in General Fund balances between FY 2017-18 and FY 2018-19. The restricted balance has increased from the prior fiscal year while the unassigned and committed balances decreased.



NOTE: Does not include PARS 115 Trust

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, CONTINUED

General Funds, Continued:

General Fund revenues were \$257.9 million at the close of June 30, 2019, an increase of \$15.9 million (6.2 percent) compared to the prior fiscal year. Significant changes in General Fund revenues compared with the prior fiscal year included:

- Investment income was up \$6.0 million compared to the prior fiscal year from a combination of more favorable interest rates and more funds on deposit.
- Sales taxes levied by City and levied by State increased \$5.8 million increase from general growth in sales tax revenues and the late remittance of transaction tax revenue earned in the prior fiscal year.
- Property tax revenues increased by \$2.3 million due to a steady increase in property values and increased new non-residential construction.
- Use of money and property revenues increased \$1.7 million compared to the prior fiscal year primarily from facility rentals at city venues.

General Fund expenditures were \$232.2 million an increase of \$11.4 million (5.2 percent) compared to the prior fiscal year. General government expenses increased \$11.4 million compared to the prior fiscal year. Police expense growth of \$5.4 million was primarily the result of fewer staff vacancies. The Fire department incurred more overtime to backfill vacancies resulting in an additional \$742,000. Expenses at the city entertainment venues increased \$1.9 million. Non-Departmental expenses were up \$3.6 million with the one-time advance lease payment for administrative office space.

Proprietary Funds

The City's Proprietary Fund Financial Statements provide the same type of information found in the Government-Wide Financial Statements but in more detail. At the end of June 30, 2019, the net position of business-type activities was \$564.6 million, an increase of \$16.9 million or 3.1 percent compared to the prior fiscal year.

The assets and deferred outflows of resources decreased by \$2.0 million. Of this amount, the current cash and investments and other current assets increased by \$5.1 million and non-current assets including capital assets and deferred outflows increased by \$7,000, primarily due to the disposal and depreciation of capital assets.

The liabilities and deferred inflows of resources decreased by \$18.9 million due primarily to the principal payments made on debt and pension-related adjustments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's FY 2018-19 General Fund Adopted Budget funded the City's most pressing needs in support of the Council's strategic priorities but continued to be constrained by the City's long-term financial outlook. The balanced and fiscally prudent budget plan strengthened reserves while making incremental service-level enhancements consistent with Council-adopted strategic priorities. This analysis should be read in conjunction with the General Fund Budgetary Information beginning on page 111.

The General Fund's original budgeted revenue and transfers-in totaled \$229.6 million. Current information indicates General Fund revenues are likely to end the fiscal year approximately \$8.8 million or 3.8 percent greater than the Approved Budget total of \$230.3 million. The largest variances come from increased sales taxes, revenues from other agencies, property taxes, and interest earnings.

GENERAL FUND BUDGETARY HIGHLIGHTS, CONTINUED

General Fund expenditures, encumbrances, and commitments are projected to be \$236.9 million, which is \$1.4 million, or 0.6 percent, less than the Approved Budget. Most departments ended the year close to or just below expectations, with the exceptions of Police, Fire, Entertainment Venues, and Other Administration.

Actual expenditures and transfers-out were lower than the final approved budget appropriations by \$12.7 million or 4.8%. Of this variance, \$9.1 million in appropriations was rolled into FY 2019-20 for encumbrances, capital projects, and specific City Council authorized activities. Approximately \$450,000 of the savings was the result of higher-than-anticipated vacancies across all General Fund departments. The General Fund saved \$250K as funding for contingencies, labor litigation, tax collection, and election fees was not fully expended. General Government departments achieved a savings of \$6.5 million, Library expenses were \$600,727 below budget, and \$1.8 million was saved in Public Safety. The remaining \$1.5 million was due to Public Works, Parks and Recreation, Capital Outlay and operating transfers. This includes \$1.5 million related to Entertainment Venues which could not be expended because of lower-than-expected revenues.

The City’s General Fund balance at June 30, 2019, was \$97.7 million on a budgetary basis, which is a increase of \$7.2 million from the prior year. This reporting of General Fund balance includes general services to the public such as public safety and streets, along with libraries, recreation centers, and marinas. Whereas the quarterly budget status reports released through the City Council break down the general operations (\$87.4 million) separate from ancillary services of libraries, recreation, etc. The vacancy savings were one-time savings and have lessened now that the Police Department staffing is nearing the total authorized positions and other department staffing is also stabilizing. This effort to rebuild the City’s General Fund balance is consistent with the City’s Long-Range Financial Plan and the Fund Balance and Reserve policy adopted by the City Council on March 29, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$1.5 billion (net of accumulated depreciation). Net investment in capital assets includes infrastructure, land, buildings, and improvements other than buildings, intangible assets, equipment and construction in progress. The total change in the City’s net investment in capital assets for the current fiscal year was a decrease of 0.2 percent.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|------------------------------------|-------------------|-------------------------------------|-------------------|--------------------|--------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Land | \$ 40,985 | \$ 42,607 | \$ 11,689 | \$ 11,689 | \$ 52,674 | \$ 54,296 |
| Intangible Assets | 4,355 | 4,355 | 804 | 804 | 5,159 | \$5,159 |
| Building and Improvements | 180,076 | 185,954 | 650,512 | 672,192 | 830,588 | 858,146 |
| Machinery and Equipment | 26,320 | 23,127 | 6,041 | 5,847 | 32,361 | 28,974 |
| Infrastructure | 388,059 | 365,877 | - | - | 388,059 | 365,877 |
| Construction in Progress | 131,632 | 138,201 | 17,937 | 10,124 | 149,569 | 148,325 |
| Total | \$ 771,427 | \$ 760,121 | \$ 686,983 | \$ 700,656 | \$1,458,410 | \$1,460,777 |

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

GENERAL FUND BUDGETARY HIGHLIGHTS, CONTINUED

Bond Indebtedness

At the end of the fiscal year, the City's total outstanding net bonded debt including bankruptcy settlements was \$387.1 million. Of this amount, \$63.5 million is related to governmental activities, and \$314.7 million are debt obligations of business-type activities.

Governmental activities bonded indebtedness decreased by \$15.3 million as a result of the refinancing of debt through an internal borrowing of funds.

Business-type activities bonded indebtedness decreased by \$20.6 million due to scheduled principal payments and amortization of bond premium insurance and discounts.

Governmental outstanding net bonded debt of \$63.5 million includes \$53.5 million in settlement liability to the bond insurer (Assured Guaranty) for 2007 bonds adjusted in bankruptcy.

Business-type activities outstanding net bonded debt obligations of \$314.7 million includes \$216.0 million of revenue bonds of the Water Utility, \$63.2 million in certificates of participation for the Wastewater Utility, and \$24.7 million in settlement liability for the Parking Authority on 2004 bonds adjusted in bankruptcy. Additionally, Marina operations have a loan obligation of \$10.9 million through the State Department of Parks and Recreation. This obligation no longer accrues interest due to the bankruptcy settlement. The General Fund annually subsidizes the Marina's operations, and payments on this loan will not commence until subsidization is no longer needed.

Successor Agency bonded debt of \$103.9 million is reported separately in a Private Purpose Trust Fund. The balance outstanding at June 30, 2019, includes \$81.8 million of tax-exempt tax allocation bonds issued to refinance revenue bonds for various former redevelopment projects and \$22.1 million of taxable tax allocation bonds issued to refinance revenue bonds for various housing projects.

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

Economic Factors and Next Year's Budget

Continued improvement in the local economy and sound fiscal practices have enabled the City to maintain essential services, fund a 17% working capital reserve, and set aside funds for known contingencies, including pension costs, staff recruitment and retention, financial system replacement and a permanent City Hall. General Fund reserves were \$84.4 million at the close of the 2018-19 fiscal year and another \$18.6 million into the PARS Trust. These reserves provided the resources for the City to replace its antiquated financial system and fund future pension costs.

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

The FY 2019-20 Annual Budget is structurally balanced. It dedicates resources in support of the Council's strategic goals of Public Safety, Fiscal Sustainability, Economic Development, and Infrastructure.

Requests for Information

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

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

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



CITY OF STOCKTON



BASIC FINANCIAL STATEMENTS



CITY OF STOCKTON



GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Stockton
Statement of Net Position
June 30, 2019

| | Governmental Activities | Business-Type Activities | Totals |
|--|----------------------------|-----------------------------|-------------------------|
| ASSETS | | | |
| Cash and investments | \$ 385,479,786 | \$ 164,418,608 | \$ 549,898,394 |
| Restricted cash and investments | 32,034,079 | 28,411,424 | 60,445,503 |
| Interest receivable | 1,996,208 | 835,559 | 2,831,767 |
| Accounts receivable, net | 15,895,627 | 23,587,860 | 39,483,487 |
| Due from other governments, net | 37,957,384 | 1,186,453 | 39,143,837 |
| Internal balances | 8,871,631 | (8,871,631) | - |
| Inventory of supplies | 513,159 | 1,911,238 | 2,424,397 |
| Other assets | 1,554,041 | - | 1,554,041 |
| Prepaid items | 1,574,540 | 744,885 | 2,319,425 |
| Loans to Successor Agency, net | 1,106,580 | - | 1,106,580 |
| Loans to property owners, net | 143,746,040 | 190,000 | 143,936,040 |
| Capital assets: | | | |
| Nondepreciable | 176,972,127 | 30,429,994 | 207,402,121 |
| Depreciable, net | 594,455,318 | 656,552,916 | 1,251,008,234 |
| Total assets | 1,402,156,520 | 899,397,306 | 2,301,553,826 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Unamortized loss on refunding of debt | - | 8,779,188 | 8,779,188 |
| Pension-related deferred outflows of resources | 110,139,702 | 3,282,872 | 113,422,574 |
| Total deferred outflows of resources | 110,139,702 | 12,062,060 | 122,201,762 |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 20,463,834 | 5,082,881 | 25,546,715 |
| Accrued payroll and benefits | 3,848,191 | 1,138,358 | 4,986,549 |
| Due to other governments/agencies | 8,416,465 | 99,230 | 8,515,695 |
| Accrued interest | 1,550,126 | 4,038,372 | 5,588,498 |
| Deposits and other liabilities | 1,629,256 | 1,631,299 | 3,260,555 |
| Unearned revenue | 3,018,658 | 3,153 | 3,021,811 |
| Long-term liabilities: | | | |
| Due within one year: | | | |
| Compensated absences | 6,210,320 | 783,727 | 6,994,047 |
| Claims payable | 12,994,452 | - | 12,994,452 |
| Long-term debt | 1,892,927 | 10,758,318 | 12,651,245 |
| Due in more than one year: | | | |
| Compensated absences | 4,676,444 | 312,320 | 4,988,764 |
| Claims payable | 52,028,772 | - | 52,028,772 |
| Long-term debt | 61,574,616 | 303,989,153 | 365,563,769 |
| Aggregate net pension liability | 499,463,055 | 17,312,131 | 516,775,186 |
| Total liabilities | 677,767,116 | 345,148,942 | 1,022,916,058 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension-related deferred inflows of resources | 23,691,328 | 1,667,530 | 25,358,858 |
| Total deferred inflows of resources | 23,691,328 | 1,667,530 | 25,358,858 |
| NET POSITION | | | |
| Net investment in capital assets | 346,021,038 | 381,014,627 | 727,035,665 |
| Restricted | 203,994,864 | 28,411,424 | 232,406,288 |
| Unrestricted | 260,821,876 | 155,216,843 | 416,038,719 |
| Total net position | \$ 810,837,778 | \$ 564,642,894 | \$ 1,375,480,672 |

City of Stockton
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|-----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government | \$ 37,821,227 | \$ 13,976,714 | \$ 137,791 | \$ 4,780,097 |
| Public safety | 199,262,504 | 16,925,472 | 6,689,185 | - |
| Public works | 37,168,359 | 10,366,761 | 194,394 | 40,851,900 |
| Library | 13,500,668 | 470,660 | 6,424,507 | - |
| Parks and recreation | 27,287,952 | 11,319,639 | - | - |
| Interest and fiscal charges | 5,958,491 | - | - | - |
| Total governmental activities | 320,999,201 | 53,059,246 | 13,445,877 | 45,631,997 |
| Business-type activities: | | | | |
| Water utility | 46,641,145 | 49,489,285 | 2,871,805 | 2,724,519 |
| Wastewater utility | 58,093,471 | 67,432,364 | 771,194 | 1,721,599 |
| Stormwater utility | 7,418,668 | 6,406,937 | - | 179,550 |
| Parking Authority | 5,501,005 | 4,591,940 | - | - |
| Other | 3,612,859 | 1,755,253 | - | - |
| Total business-type activities | 121,267,148 | 129,675,779 | 3,642,999 | 4,625,668 |
| Total | \$ 442,266,349 | \$ 182,735,025 | \$ 17,088,876 | \$ 50,257,665 |

City of Stockton
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2019

| Functions/Programs | Net (Expense) Revenue and Change in Net Position | | |
|---|---|-----------------------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Totals |
| PRIMARY GOVERNMENT: | | | |
| Governmental activities: | | | |
| General government | \$ (18,926,625) | | \$ (18,926,625) |
| Public safety | (175,647,847) | | (175,647,847) |
| Public works | 14,244,696 | | 14,244,696 |
| Library | (6,605,501) | | (6,605,501) |
| Parks and recreation | (15,968,313) | | (15,968,313) |
| Interest and fiscal charges | (5,958,491) | | (5,958,491) |
| Total governmental activities | (208,862,081) | | (208,862,081) |
| Business-type activities: | | | |
| Water utility | | \$ 8,444,464 | 8,444,464 |
| Wastewater utility | | 11,831,686 | 11,831,686 |
| Stormwater utility | | (832,181) | (832,181) |
| Parking Authority | | (909,065) | (909,065) |
| Other | | (1,857,606) | (1,857,606) |
| Total business-type activities | | 16,677,298 | 16,677,298 |
| Total net (expense) revenue | (208,862,081) | 16,677,298 | (192,184,783) |
| General revenues and transfers: | | | |
| General revenues: | | | |
| Taxes: | | | |
| Property | 35,739,490 | - | 35,739,490 |
| Utility user | 34,252,388 | - | 34,252,388 |
| Sales - levied by City | 57,910,667 | - | 57,910,667 |
| Franchise fees | 12,306,552 | - | 12,306,552 |
| Business license | 19,958,073 | - | 19,958,073 |
| Transient occupancy tax | 3,376,631 | - | 3,376,631 |
| Document transfer | 1,071,041 | - | 1,071,041 |
| Other | 2,904,707 | 1,341,407 | 4,246,114 |
| Shared revenue: | | | |
| Vehicle license fees | 23,598,797 | - | 23,598,797 |
| Sales and use tax levied by state | 57,151,255 | - | 57,151,255 |
| Investment earnings | 18,437,797 | 7,920,239 | 26,358,036 |
| Miscellaneous | 7,809,524 | - | 7,809,524 |
| Gain (loss) on disposal of capital assets | (1,602,120) | - | (1,602,120) |
| Gain on loan forgiveness (Note 18) | 500,000 | - | 500,000 |
| Transfers | 9,073,876 | (9,073,876) | - |
| Total general revenues and transfers | 282,488,678 | 187,770 | 282,676,448 |
| Changes in net position | 73,626,597 | 16,865,068 | 90,491,665 |
| Net position: | | | |
| Beginning of year | 737,211,181 | 547,777,826 | 1,284,989,007 |
| End of year | \$ 810,837,778 | \$ 564,642,894 | \$ 1,375,480,672 |





CITY OF STOCKTON



FUND FINANCIAL STATEMENTS

GOVERNMENT FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental Funds consist of the General Fund, Special Revenue, Debt Service, Capital Projects, and Permanent Funds.

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

The City's major Governmental Funds include:

General Fund

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

HOME Program Loans Special Revenue Fund

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

Low and Moderate-Income Housing City Loans Special Revenue Fund

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

Capital Improvement Capital Projects Fund

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

City of Stockton
Balance Sheet
Governmental Funds
June 30, 2019

| | Major Funds | | | |
|---|-----------------------|--------------------------|--|------------------------|
| | General Fund | Special Revenue | | Capital Projects |
| | | Home Program Loans | Low-Moderate Income Housing City Loans | Capital Improvement |
| ASSETS | | | | |
| Cash and investments | \$ 96,970,294 | \$ - | \$ 1,728,703 | \$ 24,660,103 |
| Cash and investments with fiscal agents | - | - | - | - |
| Receivables, net: | | | | |
| Interest | 723,283 | - | 8,714 | 11,159 |
| Accounts and other receivables | 13,621,545 | 44,788 | 178,134 | - |
| Advance deposits | 762,357 | - | - | - |
| Due from other governments, net | 16,517,427 | 516,610 | - | 6,704,704 |
| Inventory of supplies | 513,159 | - | - | - |
| Prepaid items | 108,750 | - | - | - |
| Loans to Successor Agency, net | - | - | 1,106,580 | - |
| Loans to property owners, net | - | 47,436,561 | 64,072,507 | - |
| Total assets | \$ 129,216,815 | \$ 47,997,959 | \$ 67,094,638 | \$ 31,375,966 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 8,322,720 | \$ - | \$ - | \$ 3,905,642 |
| Accrued payroll and benefits | 2,146,281 | 2,964 | - | 65,975 |
| Due to other funds | - | 558,434 | - | - |
| Due to other governments | 5,547,921 | - | - | - |
| Deposits and other liabilities | 896,905 | - | - | - |
| Unearned revenue | 593,859 | - | - | - |
| Total liabilities | 17,507,686 | 561,398 | - | 3,971,617 |
| Deferred inflows of resources: | | | | |
| Unavailable revenue - loans to property owners | - | 47,436,561 | 64,072,507 | - |
| Unavailable revenue - other | 7,677,276 | - | - | 1,812,606 |
| Total deferred inflows of resources | 7,677,276 | 47,436,561 | 64,072,507 | 1,812,606 |
| Fund Balances: | | | | |
| Nonspendable | 3,621,257 | - | - | - |
| Restricted | 4,034,352 | - | 3,022,131 | 25,591,743 |
| Committed | 52,991,401 | - | - | - |
| Assigned | 4,143,686 | - | - | - |
| Unassigned | 39,241,157 | - | - | - |
| Total fund balances | 104,031,853 | - | 3,022,131 | 25,591,743 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 129,216,815 | \$ 47,997,959 | \$ 67,094,638 | \$ 31,375,966 |

City of Stockton
Balance Sheet (Continued)
Governmental Funds
June 30, 2019

| | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and investments | \$ 137,161,096 | \$ 260,520,196 |
| Cash and investments with fiscal agents | 1,580,823 | 1,580,823 |
| Receivables, net: | | |
| Interest | 594,854 | 1,338,010 |
| Accounts and other receivables | 1,676,013 | 15,520,480 |
| Advance deposits | 16,128 | 778,485 |
| Due from other governments, net | 14,218,643 | 37,957,384 |
| Inventory of supplies | - | 513,159 |
| Prepaid items | - | 108,750 |
| Loans to Successor Agency, net | - | 1,106,580 |
| Loans to property owners, net | 32,236,972 | 143,746,040 |
| Total assets | \$ 187,484,529 | \$ 463,169,907 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 4,155,020 | \$ 16,383,382 |
| Accrued payroll and benefits | 1,169,940 | 3,385,160 |
| Due to other funds | 13,064 | 571,498 |
| Due to other governments | 2,868,544 | 8,416,465 |
| Deposits and other liabilities | 683,247 | 1,580,152 |
| Unearned revenue | 2,424,799 | 3,018,658 |
| Total liabilities | 11,314,614 | 33,355,315 |
| Deferred inflows of resources: | | |
| Unavailable revenue - loans to property owners | 32,236,972 | 143,746,040 |
| Unavailable revenue - other | 2,683,427 | 12,173,309 |
| Total deferred inflows of resources | 34,920,399 | 155,919,349 |
| Fund Balances: | | |
| Nonspendable | 356,134 | 3,977,391 |
| Restricted | 140,893,382 | 173,541,608 |
| Committed | - | 52,991,401 |
| Assigned | - | 4,143,686 |
| Unassigned | - | 39,241,157 |
| Total fund balances | 141,249,516 | 273,895,243 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 187,484,529 | \$ 463,169,907 |

City of Stockton
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds \$ 273,895,243

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

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

| | |
|---|-------------|
| Non-depreciable (net of \$155,626 reported in the Internal Service Funds) | 176,816,501 |
| Depreciable (net of accumulated depreciation \$337,083,843, and net capital assets \$21,069,821 reported in the Internal Service Funds) | 573,385,497 |

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

118,619,909

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet.

| | |
|--|--------------|
| Compensated absences (net of \$478,133 reported in Internal Service Funds) | (10,408,631) |
| Bonds payable and other long-term debt (net of \$599,880 in capital leases reported in Internal Service Funds) | (62,867,663) |
| Unamortized bond discount | - |
| Accrued interest payable (net of \$42,380 reported in Internal Service Funds) | (1,507,746) |

Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the Governmental Funds.

(499,463,055)

Actuarially determined pension deferred outflows of resources are reported in the government-wide statements but are not reported in the Governmental Funds.

110,139,702

Actuarially determined pension deferred inflows of resources are reported in the government-wide statements but are not reported in the Governmental Funds.

(23,691,328)

Revenues which are unavailable on the Fund Balance Sheet, because they are not available currently, are taken into revenue in the Statement of Activities:

| | |
|--|-------------|
| Unavailable revenue - Loans to property owners | 143,746,040 |
| Unavailable revenue - Others | 12,173,309 |

Net position of governmental activities \$ 810,837,778



City of Stockton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

| | Major Funds | | | |
|--|-----------------------|--------------------------|--|------------------------|
| | General Fund | Special Revenue | | Capital Projects |
| | | Home Program Loans | Low-Moderate Income Housing City Loans | Capital Improvement |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property | \$ 35,342,086 | \$ - | \$ - | \$ - |
| Utility user | 34,252,388 | - | - | - |
| Sales - levied by City | 34,570,561 | - | - | - |
| Franchise fees | 12,306,552 | - | - | - |
| Business license | 11,557,599 | - | - | - |
| Hotel/motel room | 3,376,631 | - | - | - |
| Document transfer | 1,071,041 | - | - | - |
| Other | 2,891,643 | - | - | - |
| Licenses and permits | 437,234 | - | - | - |
| Intergovernmental: | | | | |
| Federal grants and subsidies | 346,606 | 822,084 | - | 11,873,436 |
| Sales and use tax - levied by state | 51,577,258 | - | - | - |
| Other governmental | 30,986,123 | - | - | 5,995,519 |
| Charges for services | 9,835,754 | - | - | - |
| Fines and forfeitures | 1,193,909 | - | - | - |
| Use of money and property | 9,679,037 | 500,163 | 36,543 | - |
| Investment income: | | | | |
| Interest income | 6,883,774 | - | 76,382 | 101,243 |
| Refunds and reimbursements | 6,233,667 | - | - | 92,472 |
| Miscellaneous | 5,394,746 | - | 760 | 341,049 |
| Total revenues | <u>257,936,609</u> | <u>1,322,247</u> | <u>113,685</u> | <u>18,403,719</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 18,972,543 | - | - | - |
| Public safety | 174,038,564 | - | - | - |
| Public works | 7,491,299 | - | - | - |
| Library | 11,312,137 | - | - | - |
| Parks and recreation | 19,674,316 | - | - | - |
| Capital outlay | 671,292 | 2,071,881 | 1,363,670 | 14,022,587 |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | <u>232,160,151</u> | <u>2,071,881</u> | <u>1,363,670</u> | <u>14,022,587</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>25,776,458</u> | <u>(749,634)</u> | <u>(1,249,985)</u> | <u>4,381,132</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 13,592,743 | - | 1,012,453 | 666,912 |
| Transfers out | (25,870,884) | - | - | (1,635,738) |
| Proceeds from sale of capital assets | 51,910 | - | - | - |
| Total other financing sources (uses) | <u>(12,226,231)</u> | <u>-</u> | <u>1,012,453</u> | <u>(968,826)</u> |
| CHANGES IN FUND BALANCES | 13,550,227 | (749,634) | (237,532) | 3,412,306 |
| FUND BALANCES: | | | | |
| Beginning of year | 90,481,626 | 749,634 | 3,259,663 | 22,179,437 |
| End of year | <u>\$ 104,031,853</u> | <u>\$ -</u> | <u>\$ 3,022,131</u> | <u>\$ 25,591,743</u> |

City of Stockton
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2019

| | Other Governmental | Total Governmental Funds |
|--|-----------------------|--------------------------------|
| REVENUES: | | |
| Taxes: | | |
| Property | \$ - | \$ 35,342,086 |
| Utility user | - | 34,252,388 |
| Sales - levied by City | 23,340,106 | 57,910,667 |
| Franchise fees | - | 12,306,552 |
| Business license | 1,656,967 | 13,214,566 |
| Hotel/motel room | - | 3,376,631 |
| Document transfer | - | 1,071,041 |
| Other | 13,064 | 2,904,707 |
| Licenses and permits | 6,306,274 | 6,743,508 |
| Intergovernmental: | | |
| Federal grants and subsidies | 3,474,753 | 16,516,879 |
| Sales and use tax - levied by state | - | 51,577,258 |
| Other governmental | 29,612,621 | 66,594,263 |
| Charges for services | 17,391,148 | 27,226,902 |
| Fines and forfeitures | 83,390 | 1,277,299 |
| Use of money and property | 2,244,007 | 12,459,750 |
| Investment income: | | |
| Interest income | 4,696,880 | 11,758,279 |
| Refunds and reimbursements | 287,408 | 6,613,547 |
| Miscellaneous | 2,912,460 | 8,649,015 |
| Total revenues | 92,019,078 | 369,795,338 |
| EXPENDITURES: | | |
| Current: | | |
| General government | 11,564,085 | 30,536,628 |
| Public safety | 15,785,414 | 189,823,978 |
| Public works | 12,301,718 | 19,793,017 |
| Library | 2,477,323 | 13,789,460 |
| Parks and recreation | 6,331,187 | 26,005,503 |
| Capital outlay | 17,028,527 | 35,157,957 |
| Debt service: | | |
| Principal retirement | 11,476,771 | 11,476,771 |
| Interest and fiscal charges | 5,627,792 | 5,627,792 |
| Total expenditures | 82,592,817 | 332,211,106 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 9,426,261 | 37,584,232 |
| OTHER FINANCING SOURCES (USES): | | |
| Transfers in | 17,098,131 | 32,370,239 |
| Transfers out | (3,031,884) | (30,538,506) |
| Proceeds from sale of capital assets | - | 51,910 |
| Total other financing sources (uses) | 14,066,247 | 1,883,643 |
| CHANGES IN FUND BALANCES | 23,492,508 | 39,467,875 |
| FUND BALANCES: | | |
| Beginning of year | 117,757,008 | 234,427,368 |
| End of year | \$ 141,249,516 | \$ 273,895,243 |

City of Stockton
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total Governmental Funds: \$ 39,467,875

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

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

| | |
|---|--------------|
| Capital outlays | 35,157,957 |
| Noncapitalized expenditures reclassified to functional expenses | (8,490,187) |
| Donated capital assets | 3,693,883 |
| Capital asset disposals, net | (1,621,059) |
| Transfers of Capital Assets to Internal Services Funds | (85,908) |
| Transfers of Capital Assets to Successor Agency | (54,900) |
| Depreciation expense (net of depreciation \$4,078,197 reported in Internal Service Funds) | (16,765,187) |

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:

| | |
|--|------------|
| Repayment of principal | 11,476,771 |
| Amortization of prepaid insurance related to costs of issuance | (60,274) |

Internal Service Funds are used by management to charge the costs of certain activities, such as central garage, equipment and insurance, to individual funds. The net revenue (expense) of Internal Service Funds is reported with governmental activities. Excluding extraordinary items as a result of remeasurement of liabilities .

21,184,013

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

| | |
|---|--------------|
| Change in compensated absences | 244,465 |
| Change in accrued interest | 290,608 |
| Change in deferred amount on debt refunding | (420,396) |
| Unavailable revenue - Loans to property owners | 4,169,332 |
| Unavailable revenue - Others | 2,348,021 |
| Accounting adjustment pension expense (Note 11) | (16,863,514) |

Changes in net position of governmental activities \$ 73,671,500

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary Fund Types

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

The City's major Enterprise Funds include:

Water Utility Enterprise Fund

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

Wastewater Utility Enterprise Fund

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

The City elects to present the following as major funds:

Stormwater Utility Enterprise Fund

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

Parking Authority Enterprise Fund

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

City of Stockton
Statement of Net Position
Proprietary Funds
June 30, 2019

| ASSETS | Major Enterprise Funds | | | |
|---|------------------------|-----------------------|-----------------------|----------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Parking Authority |
| Current assets: | | | | |
| Cash and investments | \$ 52,541,230 | \$ 100,311,480 | \$ 8,383,876 | \$ 2,764,627 |
| Receivables, net: | | | | |
| Interest | 250,522 | 535,683 | 38,044 | 11,161 |
| Accounts and other receivables | 8,088,777 | 13,890,322 | 1,128,673 | 460,791 |
| Due from other funds | - | - | - | - |
| Due from other governments, net | 415,259 | 771,194 | - | - |
| Advances to other funds | - | - | - | - |
| Inventory of supplies | - | 1,844,370 | - | - |
| Deposits and advances | - | - | - | - |
| Prepays | 296,844 | 444,457 | 433 | - |
| Total current assets | 61,592,632 | 117,797,506 | 9,551,026 | 3,236,579 |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash and investments | 2,829,884 | 17,213,604 | - | - |
| Cash and investments with fiscal agents | 8,366,637 | 1,299 | - | - |
| Loans receivable | - | - | - | 190,000 |
| Capital assets, net: | | | | |
| Nondepreciable | 7,634,124 | 17,088,043 | 1,457,749 | 3,890,273 |
| Depreciable, net | 300,915,685 | 269,375,106 | 42,011,458 | 21,427,086 |
| Total noncurrent assets | 319,746,330 | 303,678,052 | 43,469,207 | 25,507,359 |
| Total assets | 381,338,962 | 421,475,558 | 53,020,233 | 28,743,938 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Unamortized loss on refunding of debt | 7,044,378 | 1,734,810 | - | - |
| Pension-related deferred outflows | 885,333 | 2,184,713 | 212,826 | - |
| Total deferred outflows of resources | 7,929,711 | 3,919,523 | 212,826 | - |

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2019

| ASSETS | Other Nonmajor Enterprise | Totals | Governmental Activities Internal Service |
|---|---------------------------------|--------------------|--|
| Current assets: | | | |
| Cash and investments | \$ 417,395 | \$ 164,418,608 | \$ 124,959,590 |
| Receivables, net: | | | |
| Interest | 149 | 835,559 | 658,198 |
| Accounts and other receivables | 19,297 | 23,587,860 | 375,147 |
| Due from other funds | - | - | 571,498 |
| Due from other governments, net | - | 1,186,453 | - |
| Advances to other funds | - | - | 12,122,358 |
| Inventory of supplies | 66,868 | 1,911,238 | - |
| Deposits and advances | - | - | 775,556 |
| Prepays | 3,151 | 744,885 | 1,465,790 |
| Total current assets | 506,860 | 192,684,603 | 140,928,137 |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and investments | - | 20,043,488 | 30,453,256 |
| Cash and investments with fiscal agents | - | 8,367,936 | - |
| Loans receivable | - | 190,000 | - |
| Capital assets, net: | | | |
| Nondepreciable | 359,805 | 30,429,994 | 155,626 |
| Depreciable, net | 22,823,581 | 656,552,916 | 21,069,821 |
| Total noncurrent assets | 23,183,386 | 715,584,334 | 51,678,703 |
| Total assets | 23,690,246 | 908,268,937 | 192,606,840 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Unamortized loss on refunding of debt | - | 8,779,188 | - |
| Pension-related deferred outflows | - | 3,282,872 | - |
| Total deferred outflows of resources | - | 12,062,060 | - |

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2019

| | Major Enterprise Funds | | | |
|---|------------------------|-----------------------|-----------------------|-----------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Parking Authority |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,037,995 | 3,369,456 | 290,330 | 146,129 |
| Accrued payroll | 306,431 | 726,880 | 82,361 | 21,715 |
| Due to other funds | - | - | - | - |
| Due to other governments | 95,237 | - | - | (28) |
| Advances from other funds | - | - | - | 8,871,631 |
| Deposits and other liabilities | 1,375,708 | 11,535 | 100,291 | 62,752 |
| Accrued interest | 2,610,722 | 929,000 | - | 498,650 |
| Unearned revenue | - | - | - | (4,527) |
| Capital lease obligation | - | - | - | - |
| Compensated absences - current | 210,038 | 536,557 | 26,078 | 11,054 |
| Self-insurance claims and judgments - current | - | - | - | - |
| Bonds payable - current | 5,909,403 | 4,524,981 | - | 323,934 |
| Total current liabilities | 11,545,534 | 10,098,409 | 499,060 | 9,931,310 |
| Noncurrent liabilities: | | | | |
| Compensated absences - long-term | 83,235 | 210,029 | 17,567 | 1,489 |
| Self-insurance claims and judgments - long-term | - | - | - | - |
| Capital lease obligations | - | - | - | - |
| Notes payable | - | - | - | - |
| Certificates of participation | - | 58,638,825 | - | - |
| Bonds payable | 210,134,532 | - | - | 24,344,975 |
| Net pension liability | 4,634,613 | 11,602,633 | 1,074,885 | - |
| Total noncurrent liabilities | 214,852,380 | 70,451,487 | 1,092,452 | 24,346,464 |
| Total liabilities | 226,397,914 | 80,549,896 | 1,591,512 | 34,277,774 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension-related deferred inflows | 456,339 | 1,093,871 | 117,320 | - |
| Total deferred inflows of resources | 456,339 | 1,093,871 | 117,320 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 99,550,252 | 225,034,153 | 43,469,207 | 648,450 |
| Restricted for capital projects | 8,366,637 | 17,213,604 | - | - |
| Restricted for debt service | 2,829,884 | 1,299 | - | - |
| Restricted for pensions | - | - | - | - |
| Unrestricted | 51,667,647 | 101,502,258 | 8,055,020 | (6,182,286) |
| Total net position | \$ 162,414,420 | \$ 343,751,314 | \$ 51,524,227 | \$ (5,533,836) |

City of Stockton
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2019

| | Other Nonmajor Enterprise | Totals | Governmental Activities Internal Service |
|---|---------------------------------|-----------------------|--|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 238,971 | 5,082,881 | 4,080,452 |
| Accrued payroll | 971 | 1,138,358 | 463,031 |
| Due to other funds | - | - | - |
| Due to other governments | 4,021 | 99,230 | - |
| Advances from other funds | - | 8,871,631 | 3,250,727 |
| Deposits and other liabilities | 81,013 | 1,631,299 | 49,104 |
| Accrued interest | - | 4,038,372 | 42,380 |
| Unearned Revenue | 7,680 | 3,153 | - |
| Capital lease obligation | - | - | 193,504 |
| Compensated absences - current | - | 783,727 | 310,135 |
| Self-insurance claims and judgments - current | - | - | 12,994,452 |
| Bonds payable - current | - | 10,758,318 | - |
| Total current liabilities | 332,656 | 32,406,969 | 21,383,785 |
| Noncurrent liabilities: | | | |
| Compensated absences - long-term | - | 312,320 | 167,998 |
| Self-insurance claims and judgments - long-term | - | - | 52,028,772 |
| Capital lease obligations | - | - | 406,376 |
| Notes payable | 10,870,821 | 10,870,821 | - |
| Certificates of participation | - | 58,638,825 | - |
| Bonds payable | - | 234,479,507 | - |
| Net pension liability | - | 17,312,131 | - |
| Total noncurrent liabilities | 10,870,821 | 321,613,604 | 52,603,146 |
| Total liabilities | 11,203,477 | 354,020,573 | 73,986,931 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension-related deferred inflows | - | 1,667,530 | - |
| Total deferred inflows of resources | - | 1,667,530 | - |
| NET POSITION | | | |
| Net investment in capital assets | 12,312,565 | 381,014,627 | 20,625,567 |
| Restricted for capital projects | - | 25,580,241 | - |
| Restricted for debt service | - | 2,831,183 | - |
| Restricted for pensions | - | - | 30,453,256 |
| Unrestricted | 174,204 | 155,216,843 | 67,541,086 |
| Total net position | \$ 12,486,769 | \$ 564,642,894 | \$ 118,619,909 |

City of Stockton
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

| | Major Enterprise Funds | | | |
|--|------------------------|-----------------------|-----------------------|-----------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Parking Authority |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 48,382,145 | \$ 65,976,659 | \$ 5,994,538 | \$ 4,605,074 |
| Miscellaneous | 1,107,140 | 1,455,705 | 412,399 | (13,134) |
| Total operating revenues | 49,489,285 | 67,432,364 | 6,406,937 | 4,591,940 |
| OPERATING EXPENSES: | | | | |
| Operation and maintenance | 12,070,144 | 31,611,395 | 2,104,786 | 2,575,196 |
| General and administrative | 4,790,466 | 12,052,846 | 3,680,529 | 719,364 |
| Depreciation and amortization | 8,071,035 | 12,143,620 | 1,633,353 | 760,857 |
| Purchased water | 8,987,835 | - | - | - |
| Total operating expenses | 33,919,480 | 55,807,861 | 7,418,668 | 4,055,417 |
| OPERATING INCOME (LOSS) | 15,569,805 | 11,624,503 | (1,011,731) | 536,523 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Taxes | - | - | - | 1,341,407 |
| Grants and subsidies | 2,871,805 | 771,194 | - | - |
| Investment income: | | | | |
| Interest income | 3,084,417 | 4,403,209 | 324,352 | 114,007 |
| Gain (loss) from disposal of capital assets | - | - | - | - |
| Interest expense and fiscal charges | (12,721,665) | (2,285,610) | - | (1,445,588) |
| Other non-operating revenues | - | - | - | - |
| Total non-operating revenues (expenses) | (6,765,443) | 2,888,793 | 324,352 | 9,826 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS | 8,804,362 | 14,513,296 | (687,379) | 546,349 |
| Capital contributions | 2,724,519 | 1,721,599 | 179,550 | - |
| Developer contributions | - | - | - | - |
| Transfers in | 17,071,346 | 20,981,119 | 1,503,748 | 772,504 |
| Transfers out | (17,327,654) | (21,093,445) | (1,506,094) | (10,437,400) |
| Gain on loan forgiveness (Note 18) | - | - | - | - |
| Total contributions, transfers and special items | 2,468,211 | 1,609,273 | 177,204 | (9,664,896) |
| CHANGES IN NET POSITION | 11,272,573 | 16,122,569 | (510,175) | (9,118,547) |
| NET POSITION: | | | | |
| Beginning of year | 151,141,847 | 327,628,745 | 52,034,402 | 3,584,711 |
| End of year | \$ 162,414,420 | \$ 343,751,314 | \$ 51,524,227 | \$ (5,533,836) |

City of Stockton
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

| | Other Nonmajor Enterprise | Totals | Governmental Activities Internal Service |
|--|---------------------------------|-----------------------|--|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 878,850 | \$ 125,837,266 | \$ 134,161,122 |
| Miscellaneous | 876,403 | 3,838,513 | - |
| Total operating revenues | <u>1,755,253</u> | <u>129,675,779</u> | <u>134,161,122</u> |
| OPERATING EXPENSES: | | | |
| Operation and maintenance | 2,942,627 | 51,304,148 | 116,635,469 |
| General and administrative | 47,435 | 21,290,640 | 6,665,155 |
| Depreciation and amortization | 622,797 | 23,231,662 | 4,078,198 |
| Purchased water | - | 8,987,835 | - |
| Total operating expenses | <u>3,612,859</u> | <u>104,814,285</u> | <u>127,378,822</u> |
| OPERATING INCOME (LOSS) | <u>(1,857,606)</u> | <u>24,861,494</u> | <u>6,782,300</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Taxes | - | 1,341,407 | - |
| Grants and subsidies | - | 3,642,999 | - |
| Investment income: | | | |
| Interest income | (5,746) | 7,920,239 | 6,695,546 |
| Gain (loss) from disposal of capital assets | - | - | 21,929 |
| Interest expense and fiscal charges | - | (16,452,863) | (95,734) |
| Other non-operating revenues | - | - | (48,079) |
| Total non-operating revenues (expenses) | <u>(5,746)</u> | <u>(3,548,218)</u> | <u>6,573,662</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS | | | |
| | (1,863,352) | 21,313,276 | 13,355,962 |
| Capital contributions | - | 4,625,668 | 85,909 |
| Developer contributions | - | - | - |
| Transfers in | 962,000 | 41,290,717 | 7,392,142 |
| Transfers out | - | (50,364,593) | (150,000) |
| Gain on loan forgiveness (Note 18) | - | - | 500,000 |
| Total contributions, transfers and special items | <u>962,000</u> | <u>(4,448,208)</u> | <u>7,828,051</u> |
| CHANGES IN NET POSITION | (901,352) | 16,865,068 | 21,184,013 |
| NET POSITION: | | | |
| Beginning of year | <u>13,388,121</u> | <u>547,777,826</u> | <u>97,435,896</u> |
| End of year | <u>\$ 12,486,769</u> | <u>\$ 564,642,894</u> | <u>\$ 118,619,909</u> |

City of Stockton
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

| | Major Enterprise Funds | | | |
|--|------------------------|-----------------------|-----------------------|----------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Parking Authority |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from customers and users | \$ 49,177,888 | \$ 65,658,410 | \$ 5,824,328 | \$ 4,471,941 |
| Receipts for interfund services provided | - | - | - | - |
| Payments to suppliers and employees | (24,109,895) | (42,044,832) | (5,438,803) | (3,168,778) |
| Miscellaneous receipts | 1,107,140 | 1,455,705 | 412,399 | (13,134) |
| Net cash provided by (used in) operating activities | <u>26,175,133</u> | <u>25,069,283</u> | <u>797,924</u> | <u>1,290,029</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers in | 17,071,346 | 20,981,119 | 1,503,748 | 772,504 |
| Transfers out | (17,327,654) | (21,093,445) | (1,506,094) | (10,437,400) |
| Contribution from other funds | - | - | - | - |
| Contribution to other funds | 245,178 | 125,800 | - | - |
| Advance to other funds | - | - | - | - |
| Advance from other funds | - | - | - | 8,871,631 |
| Receipt of cash subsidies and federal grants | 2,456,546 | - | - | (14,231) |
| Other non-operating revenues | - | - | - | - |
| Gain on loan forgiveness (Note 18) | - | - | - | - |
| Proceeds from taxes | - | - | - | 1,341,407 |
| Net cash provided by noncapital financing activities | <u>2,445,416</u> | <u>13,474</u> | <u>(2,346)</u> | <u>533,911</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Proceeds from sale of capital assets | - | - | - | - |
| Purchases of capital assets | (691,335) | (7,550,257) | (873,982) | (772,504) |
| Capital contributions received | 2,724,519 | 1,721,599 | 179,550 | - |
| Unamortized loss on refunding of debt | (6,963,090) | 170,584 | - | - |
| Principal paid on debt | (15,912,093) | (4,364,981) | - | (301,540) |
| Interest paid on debt | (14,152,342) | (2,334,077) | - | (1,377,758) |
| Net cash (used in) capital and related financing activities | <u>(34,994,341)</u> | <u>(12,357,132)</u> | <u>(694,432)</u> | <u>(2,451,802)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment earnings | 3,073,755 | 4,313,202 | 320,331 | 116,299 |
| Deferred rent | - | - | - | - |
| Net cash provided by (used in) investing activities | <u>3,073,755</u> | <u>4,313,202</u> | <u>320,331</u> | <u>116,299</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (3,300,037) | 17,038,827 | 421,477 | (511,563) |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | <u>67,037,788</u> | <u>100,487,556</u> | <u>7,962,399</u> | <u>3,276,190</u> |
| End of year | <u>\$ 63,737,751</u> | <u>\$ 117,526,383</u> | <u>\$ 8,383,876</u> | <u>\$ 2,764,627</u> |

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

| | Other Nonmajor Enterprise | Totals | Governmental Activities Internal Service |
|--|---------------------------------|-----------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers and users | \$ 865,144 | \$ 125,997,711 | \$ - |
| Receipts for interfund services provided | - | - | 133,188,831 |
| Payments to suppliers and employees | (2,900,489) | (77,662,797) | (121,506,682) |
| Miscellaneous receipts | 876,403 | 3,838,513 | (14,831) |
| Net cash provided by (used in) operating activities | (1,158,942) | 52,173,427 | 11,667,318 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers in | 962,000 | 41,290,717 | 7,392,142 |
| Transfers out | - | (50,364,593) | (150,000) |
| Contribution from other funds | - | - | - |
| Contribution to other funds | - | 370,978 | (456,888) |
| Advance to other funds | - | - | (12,122,358) |
| Advance from other funds | - | 8,871,631 | 3,250,727 |
| Receipt of cash subsidies and federal grants | (4) | 2,442,311 | - |
| Other non-operating revenues | - | - | (48,079) |
| Gain on loan forgiveness (Note 18) | - | - | 500,000 |
| Proceeds from taxes | - | 1,341,407 | - |
| Net cash provided by noncapital financing activities | 961,996 | 3,952,451 | (1,634,456) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from sale of capital assets | - | - | 21,929 |
| Purchases of capital assets | (40,879) | (9,928,957) | (3,094,134) |
| Capital contributions received | - | 4,625,668 | 85,909 |
| Unamortized loss on refunding of debt | - | (6,792,506) | - |
| Principal paid on debt | - | (20,578,614) | (3,880,574) |
| Interest paid on debt | - | (17,864,177) | (131,559) |
| Net cash (used in) capital and related financing activities | (40,879) | (50,538,586) | (6,998,429) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment earnings | (4,233) | 7,819,354 | 6,567,828 |
| Deferred rent | - | - | (214,100) |
| Net cash provided by (used in) investing activities | (4,233) | 7,819,354 | 6,353,728 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (242,058) | 13,406,646 | 9,388,161 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 659,453 | 179,423,386 | 146,024,685 |
| End of year | \$ 417,395 | \$ 192,830,032 | \$ 155,412,846 |

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

| | Major Enterprise Funds | | | |
|---|------------------------|-----------------------|-----------------------|----------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Parking Authority |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS: | | | | |
| Cash and investments | \$ 52,541,230 | \$ 100,311,480 | \$ 8,383,876 | \$ 2,764,627 |
| Restricted assets: | | | | |
| Cash and investments | 2,829,884 | 17,213,604 | - | - |
| Cash and investments with fiscal agents | 8,366,637 | 1,299 | - | - |
| Total cash and investments | <u>\$ 63,737,751</u> | <u>117,526,383</u> | <u>\$ 8,383,876</u> | <u>\$ 2,764,627</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ 15,569,805 | \$ 11,624,503 | \$ (1,011,731) | \$ 536,523 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation and amortization | 8,071,035 | 12,143,620 | 1,633,353 | 760,857 |
| Changes in assets and liabilities: | | | | |
| Accounts receivables | 795,743 | (318,249) | (170,210) | (133,133) |
| Due from other funds | - | - | - | - |
| Prepaid items | 695,008 | (35,081) | 649 | 22 |
| Inventory of supplies | - | (73,604) | - | - |
| Deposits and advances | - | - | - | - |
| Accounts payable | 338,834 | 272,479 | 97,444 | 125,920 |
| Accrued payroll | 510 | (22,828) | 10,042 | 3,627 |
| Deposits and other liabilities | 7,071 | 1,380 | 291 | - |
| Unearned revenue | - | - | - | (2,349) |
| Loans from Successor Agency, net | - | - | - | - |
| Compensated absences | 11,877 | 9,932 | 12,204 | (1,438) |
| Self-insurance - claims and judgments | - | - | - | - |
| Net pension liability | 413,095 | 911,940 | 134,968 | - |
| Pension-related deferred outflows | 92,666 | 120,078 | 45,138 | - |
| Pension-related deferred inflows | 179,489 | 435,113 | 45,776 | - |
| Net cash provided by (used for) operating activities | <u>\$ 26,175,133</u> | <u>\$ 25,069,283</u> | <u>\$ 797,924</u> | <u>\$ 1,290,029</u> |
| NONCASH TRANSACTIONS: | | | | |
| Amortization of loss on refunding | \$ (6,963,090) | \$ - | \$ - | \$ - |
| Capital contributions received | 2,724,519 | 1,721,599 | 179,550 | - |

City of Stockton
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

| | Other Nonmajor Enterprise | Totals | Governmental Activities Internal Service |
|---|---------------------------------|-----------------------|--|
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS: | | | |
| Cash and investments | \$ 417,395 | \$ 164,418,608 | \$ 124,959,590 |
| Restricted assets: | | | |
| Cash and investments | - | 20,043,488 | 30,453,256 |
| Cash and investments with fiscal agents | - | 8,367,936 | - |
| Total cash and investments | \$ 417,395 | \$ 192,830,032 | \$ 155,412,846 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (1,857,606) | \$ 24,861,494 | \$ 6,782,300 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation and amortization | 622,797 | 23,231,662 | 4,078,198 |
| Changes in assets and liabilities: | | | |
| Accounts receivables | (13,706) | 160,445 | (25,801) |
| Due from other funds | - | - | (446,490) |
| Prepaid items | 682 | 661,280 | (204,269) |
| Inventory of supplies | (21,365) | (94,969) | - |
| Deposits and advances | - | - | 383,444 |
| Accounts payable | 123,517 | 958,194 | 1,675,945 |
| Accrued payroll | (1,364) | (10,013) | (24,766) |
| Deposits and other liabilities | (8,530) | 212 | - |
| Unearned revenue | (3,367) | (5,716) | - |
| Loans from Successor Agency, net | - | - | (500,000) |
| Compensated absences | - | 32,575 | (36,412) |
| Self-insurance - claims and judgments | - | - | (14,831) |
| Net pension liability | - | 1,460,003 | - |
| Pension-related deferred outflows | - | 257,882 | - |
| Pension-related deferred inflows | - | 660,378 | - |
| Net cash provided by (used for) operating activities | \$ (1,158,942) | \$ 52,173,427 | \$ 11,667,318 |
| NONCASH TRANSACTIONS: | | | |
| Amortization of loss on refunding | \$ - | \$ (6,963,090) | \$ - |
| Capital contributions received | - | 4,625,668 | - |



FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Fund Types

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

Agency Funds

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

Successor Agency to the Redevelopment Agency of the City of Stockton

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

City of Stockton
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

| | Agency Funds | Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund |
|---|----------------------|--|
| ASSETS | | |
| Cash and investments | \$ 21,197,493 | \$ 9,970,166 |
| Cash and investments with fiscal agents | 11,970,181 | 738 |
| Receivables, net: | | |
| Interest | 110,246 | 37,039 |
| Accounts and other receivables | 5,880,351 | - |
| Due from successor agency | - | - |
| Due from agency funds | - | - |
| Deposits | - | - |
| Prepaid items | - | 734,005 |
| Loans to the City | - | - |
| Capital assets: | | |
| Nondepreciable | - | 13,052,828 |
| Depreciable, net | - | 13,860,602 |
| Total assets | \$ 39,158,271 | \$ 37,655,378 |
| LIABILITIES | | |
| Accounts payable | \$ 2,660,718 | 2,401 |
| Accrued payroll | - | 4,883 |
| Due to other governments | 88,024 | - |
| Deposits and other liabilities | 36,409,529 | - |
| Loans from the City, net | - | 1,106,580 |
| Accrued interest | - | 1,289,848 |
| Bonds payable - current | - | 4,155,555 |
| Bonds payable - noncurrent | - | 99,775,156 |
| Pollution remediation | - | 275,000 |
| Total liabilities | \$ 39,158,271 | 106,609,423 |
| NET POSITION (DEFICIT) HELD IN TRUST | | \$ (68,954,045) |

City of Stockton
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2019

| | Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund |
|------------------------------------|--|
| ADDITIONS: | |
| Property tax | \$ 10,237,528 |
| Use of money and property | (48,580) |
| Investment Income | 281,645 |
| Miscellaneous | (4,875,899) |
| Transfer in from City | 7,465,150 |
| Capital contribution | 54,900 |
| Total additions | 13,114,744 |
| DEDUCTIONS: | |
| General government | 1,603,207 |
| Public Works | 233,535 |
| Interest and fiscal charges | 3,409,677 |
| Transfer out to City | 7,465,149 |
| Loss on loan forgiveness (Note 18) | 500,000 |
| Total deductions | 13,211,568 |
| CHANGE IN NET POSITION | (96,824) |
| NET POSITION (DEFICIT): | |
| Beginning of year | (68,857,221) |
| End of year | \$ (68,954,045) |





CITY OF STOCKTON



NOTES TO BASIC FINANCIAL STATEMENTS

City of Stockton
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For the Year Ended June 30, 2019

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City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Fiduciary Component Unit – Successor Agency

The Successor Agency to the Redevelopment Agency of the City of Stockton (“Successor Agency”) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency under City Council action taken on August 23, 2011. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Stockton as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency are such that it would be misleading to exclude the Successor Agency from the City’s financial statements. The Successor Agency is presented herein in the City’s Fiduciary Funds as a private-purpose trust fund for the fiscal year ended June 30, 2019.

The Stockton Public Financing Authority (the “SPFA”)

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

Excluded Agencies

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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

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

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

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

Government-Wide Financial Statements

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

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

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds. Fiduciary Funds are excluded from the government-wide financial statements. Major individual Governmental Funds and Enterprise Funds are reported as separate columns in the fund financial statements with nonmajor funds aggregated in and combined with the major funds.

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Government-Wide Financial Statements (Continued)

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

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

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

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

Governmental Fund Financial Statements

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

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

Revenues are recognized in the accounting period in which they become both “*measurable*” and “*available*” to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period as soon enough after that to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes.

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

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

The City reports the following major Governmental Funds:

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Change in Net Position, and a Statement of Cash Flows for all Proprietary Funds.

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Financial Statements (Continued)

The City 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 the collection, treatment, and disposal of wastewater, and operations related to the provision of services.

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

- ***Stormwater Utility Enterprise Fund***
To account for activities associated with the acquisition or construction, and operation and maintenance of stormwater facilities for drainage and disposal of stormwater, and operations related to the provision of services.
- ***Parking Authority Enterprise Fund***
To account for activities associated with the acquisition or construction, operation and maintenance of off-street parking facilities, and operations related to the provision of services.

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

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

Fiduciary Fund Financial Statements

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Deferred Outflows/Inflows of Resources

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

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

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

D. Encumbrances

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

E. Cash, Cash Equivalents, and Investments

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

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

Investments are recorded at fair value by GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease in investment assets and investment income. Investment income consists of interest income, dividend income, and recognized gains or losses on investments. Money market investments and certain guaranteed investment contracts are carried at cost. Highly liquid market investments with maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City allocates the fair value adjustment for unrealized gains and losses at June 30 of each year. Interest earnings on investments are allocated to the individual pooled funds quarterly based on each fund’s average quarterly pooled cash and investments balances. The City reported its investments at fair value, and the unrealized gain on investments amounted to \$6,277,524 for the fiscal year ended June 30, 2019.

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Restricted Cash and Investments

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

G. Receivables

Revenues are recorded when received in cash, except revenues subject to accrual (up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services.

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met on the accrual basis of accounting in the Government-Wide Statement of Net Positions. The amount recognized as revenue under the modified accrual basis of accounting in the Governmental Funds is limited to the amount that is deemed measurable and available.

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

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

H. Interfund Loans and Advances

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Inventory of Supplies

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

J. Capital Assets

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

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

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

K. Capital Contributions

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

L. Accrued Payroll and Related Liabilities

The City is on a semi-monthly payroll period, and employees are paid seven calendar days after the end of the payroll periods ending on the 15th and the end of the month or the last working day before that date. As of June 30, 2019, the payroll accrual is recorded in the respective funds when the related liability is incurred.

M. Accrued Compensated Absences

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Accrued Compensated Absence (Continued)

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

N. Long-Term Debt

In the Government-Wide and Proprietary Fund Financial Statements, long-term debt and other long-term financial obligations are reported as liabilities.

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

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

O. Pensions

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

CALPERS

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

PARS

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Measurement Period | July 1, 2018 to June 30, 2019 |

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Pensions (Continued)

The following timeframes are used for pension reporting:

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

P. Net Position

In Governmental-Wide and Proprietary Fund Financial Statements, Net Position is categorized as follows:

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

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

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

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

Q. Fund Balances

For Governmental Fund Financial Statements, fund balances are categorized as follows:

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

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Fund Balances (Continued)

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

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

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

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

R. Property Taxes

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

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

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

S. Use of Estimates

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 2 – Cash, Cash Equivalents and Investments

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments on June 30, 2019:

| | |
|---|-----------------------|
| Deposits: | |
| Cash on Hand | \$ 65,936 |
| Demand Deposits | 72,310,592 |
| Total Deposits | <u>72,376,528</u> |
| Investments | 581,105,947 |
| | |
| Total Cash and Investments | <u>\$ 653,482,475</u> |
| | |
| Presented in the government-wide statement of net position | |
| Cash and Investments | \$ 549,898,394 |
| Restricted Cash and Investments | 60,445,503 |
| | |
| Presented in the statement of fiduciary net position | |
| Cash and Investments | 31,167,659 |
| Cash and investments with fiscal agents | <u>11,970,919</u> |
| | |
| Total Cash and Investments | <u>\$ 653,482,475</u> |

A. Cash Deposits

The carrying amount of the City’s pooled cash deposits was \$72,310,592 at June 30, 2019. Bank balances before reconciling items were \$54,994,817 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City’s name as discussed below.

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

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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

B. Authorized Investments

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

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

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

* Limited to 5 years, except permits investment in variable rate demand

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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

B. Authorized Investments (Continued)

Investments Authorized by Debt Agreements

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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

C. Investments in Local Agency Investment Fund

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

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

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

As of June 30, 2019, the City had \$10,000,000 invested in LAIF, which had invested 1.77% of the Pool investment funds in medium-term and short-term structured notes as well as asset-backed securities. The face value of the City's position in the pool is the same as the value of the pool shares.

D. Investments in California Asset Management Program

The City is a participant in CAMP which is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). Structured Notes and Asset Backed Securities are not permitted under CAMP's current investment policy.

As of June 30, 2019, the City had \$95,370,515 invested in CAMP, which does not invest in medium-term and short-term structured notes or asset backed securities. The face value of the City's position in the pool is the same as the value of the pool shares.

E. Fair Value of Investments

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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

E. Fair Value of Investments (Continued)

At June 30, 2019, the City had the following recurring fair value measurements.

| | Fair Value Measurements Using | | | |
|--|-------------------------------|----------------|----------------|---------|
| | June 30, 2019 | Level 1 | Level 2 | Level 3 |
| U. S. Agencies | \$ 65,627,970 | \$ - | \$ 65,627,970 | \$ - |
| U. S. Treasuries | \$ 145,640,465 | 145,640,465 | | - |
| Medium term notes | 104,783,517 | - | 104,783,517 | - |
| Supranationals | 19,195,627 | - | 19,195,627 | - |
| Federal Agency CMOs | 9,929,826 | - | 9,929,826 | - |
| Negotiable CD | 60,551,654 | - | 60,551,654 | - |
| Asset backed securities | 37,177,081 | - | 37,177,081 | - |
| Cash - PARS 115 Trust | 11,664 | - | 11,664 | - |
| Equity Mutual Fund- PARS 115 Trust | 9,896,684 | - | 9,896,684 | - |
| Fixed Income Mutual Fund- PARS 115 Trust | 20,839,476 | - | 20,839,476 | - |
| Idle Funds in Reserve Portfolio | 1,195,915 | - | 1,195,915 | - |
| Total investments by fair value level | \$ 474,849,879 | \$ 145,640,465 | \$ 329,209,414 | \$ - |

Investments exempt from fair value measurement categorizations:

| | |
|--|----------------|
| Local Agency Investment Fund | 10,000,000 |
| California Asset Management Program (CAMP) | 95,370,515 |
| Money market funds (attributable to 115 trust) | 885,553 |
| Total investments exempt from fair value measurement | 106,256,068 |
| | \$ 581,105,947 |

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Medium term notes: quoted prices for similar securities in active markets;
- Local Agency Investment Fund: application of the June 30, 2019, fair value factor, as calculated, to the City's average daily balance in the Fund; and
- Asset-backed securities: recent appraisals of the asset value.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

F. Risk Disclosures

Interest Rate Risk

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

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

| Investment Type | Investment Maturities | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------|
| | Fair Value | 1 year or less | 1-3 years | 3-5 years | 5 years or more |
| U. S. Agencies | \$ 65,627,970 | \$ - | \$ 33,365,471 | \$ 32,262,499 | \$ - |
| U. S. Treasuries | 145,640,464 | - | 49,265,389 | 96,375,076 | - |
| Medium term notes | 104,783,518 | 1,793,750 | 80,649,200 | 22,340,567 | - |
| Supranationals | 19,195,627 | - | 19,195,627 | - | - |
| Federal Agency CMOs | 9,929,826 | - | 7,774,861 | 2,154,965 | - |
| Local Agency Investment Fund | 10,000,000 | 10,000,000 | - | - | - |
| Capital Asset Management Program | 95,370,515 | 95,370,515 | - | - | - |
| Money market funds (attributable to 115 trust) | 885,553 | 885,553 | - | - | - |
| Negotiable CD | 60,551,654 | 27,271,691 | 33,279,964 | - | - |
| Asset backed securities | 37,177,081 | 6,654 | 13,041,981 | 24,128,446 | - |
| Cash - PARS 115 Trust | 11,664 | 11,664 | - | - | - |
| Equity Mutual Fund- PARS 115 Trust | 9,896,684 | 9,896,684 | - | - | - |
| Fixed Income Mutual Fund- PARS 115 Trust | 20,839,476 | 20,839,476 | - | - | - |
| Idle Funds in Reserve Portfolio | 1,195,915 | 1,195,915 | - | - | - |
| Total | <u>\$ 581,105,947</u> | <u>\$ 167,271,902</u> | <u>\$ 236,572,492</u> | <u>\$ 177,261,553</u> | <u>\$ -</u> |
| Allocation by percentage | 100% | 29% | 41% | 31% | 0% |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

F. Risk Disclosure (Continued)

Credit Risk

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

Presented below is the actual rating as of June 30, 2019, for each investment type as provided by Standard and Poor's investment rating system:

| <u>Investment Type</u> | <u>AAA/AAAm</u> | <u>AA / AA+ / AA-</u> | <u>A / A+ / A-</u> | <u>A-1+</u> | <u>Total</u> |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| Held by the City and its Component Units: | | | | | |
| U. S. Agencies: | | | | | |
| Non-callable | \$ 75,557,796 | \$ - | \$ - | \$ - | \$ 75,557,796 |
| Medium term notes: | | | | | |
| Non-callable | 19,195,627 | 27,282,192 | 47,345,122 | 41,045,960 | 134,868,901 |
| Callable | 12,005,581 | 13,488,283 | 24,168,033 | - | 49,661,896 |
| Asset Backed Securities | 37,177,081 | - | - | - | 37,177,081 |
| Money market funds (attributable to 115 trust) | 885,553 | - | - | - | 885,553 |
| Total | <u>\$144,821,638</u> | <u>\$ 40,770,475</u> | <u>\$ 71,513,155</u> | <u>\$ 41,045,960</u> | <u>\$298,151,228</u> |
| Not rated or exempt from rating disclosure: | | | | | |
| Local Agency Investment Fund | | | | | 10,000,000 |
| California Asset Management Program (CAMP) | | | | | 95,370,515 |
| U. S. Treasuries | | | | | 145,640,465 |
| Section 115 Trust Mutual Funds (not rated) | | | | | 30,736,160 |
| Cash Held in 115 Trust | | | | | 11,664 |
| Idle Funds in Reserve Portfolio | | | | | 1,195,915 |
| | | | | Total Investments | <u>\$581,105,947</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

F. Risk Disclosure (Continued)

Credit Risk (Continued)

The City’s portfolio manager utilized ratings of S&P in compiling the previous table. In August 2011, S&P took an extraordinary stance of downgrading the debt of the United States and numerous agencies whose debt it stands behind. Moody's and Fitch only took moves to lower the outlook on U.S. debt while still maintaining the AAA ratings on these entities. In June 2019, S&P maintained the AA+ rating with a stable outlook that is still in place today. Moody's affirmed their AAA rating with stable outlook on August 7, 2019, and Fitch affirmed the AAA rating and brought the outlook to stable on April 12, 2019.

Custodial Credit Risk

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

Concentration Credit Risk

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

At June 30, 2019, the City’s Pooled investments that represent a concentration in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are set forth below:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> |
|--|---------------------------|------------------------|
| Held by City and its Component Units: | | |
| Federal National Mortgage Association | Federal Agency Securities | <u>\$ 44,490,686</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 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 Position as their use is limited by applicable indentures or covenants. Covenants provide that these funds, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested by the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may require. The ordinances, resolutions, and indentures are more restrictive than the City’s Investment Policy. Restricted cash and investments of the City are primary for the construction or acquisition of facilities, and reserves for payment of debt service as required by the bond indentures.

The City has a reserve policy governing the establishment of Rate Stabilization Fund for its Water, Wastewater, and Stormwater Funds. These reserves are to ease future revenue fluctuations, where revenues are interrupted or otherwise insufficient to offset the operating expenditures and to minimize the impact of rate increases. The City has established a Rate Stabilization Fund in the Water Fund in connection with the issuance of its 2010 Variable Rate Demand Water Revenue Bonds and the Wastewater Fund in connection with the 2014 Wastewater Refunding Bonds. The City use money on deposit in the Rate Stabilization Fund for any lawful purpose. All interest or other earnings in the Rate Stabilization Fund may be withdrawn and accounted for as revenues or used for any lawful purpose. The balance in the Water and Wastewater Rate Stabilization Accounts at June 30, 2019, was \$2.9 million and \$12.5 million, respectively.

At June 30, 2019, government-wide restricted cash and investments and restricted cash and investments with fiscal agents are as follows:

| | |
|---------------------------------------|----------------------|
| Governmental activities | \$ 32,034,079 |
| | |
| Business-type activities: | |
| Water Utility | 11,196,521 |
| Wastewater Utility | 17,214,903 |
| Subtotal | 28,411,424 |
| | |
| Total restricted cash and investments | \$ 60,445,503 |
| | |
| Fiduciary Funds | \$ 11,970,919 |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Interfund Transactions

A. Due To/From Other Funds

“Due to” and “Due from” report lending transactions primarily when individual funds overdraw their share of pooled cash or when there are short-term loans between funds. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of a grant or other reimbursements. There is \$571,498 of interfund balances as of June 30, 2019, are as follows:

The most significant inter-fund transactions are as follows:

| <u>Fund Making Short Term-Loan</u> | <u>Fund Receiving Short-Term Loan</u> | <u>Amount</u> |
|---|--|-------------------|
| Internal Service Fund - Workers' Compensation | Gas Tax - Transportation Development Act | \$ 13,064 |
| Internal Service Fund - Workers' Compensation | Home Program Loan | <u>558,434</u> |
| | Total | <u>\$ 571,498</u> |

B. Loans To/From Other Funds

“Loans to” and “loans from” balances represent loan activity between funds. These balances are expected to be paid back per a City council approved repayment schedule. The of \$12,122,358 of interfund loan balances, broken down by short and long-term net of interest, as of June 30, 2019 is shown below.

The most significant inter-fund transactions are as follows:

| <u>Fund Making Loan</u> | <u>Fund Receiving Loan</u> | <u>Short-Term</u> | <u>Long-term</u> | <u>Total</u> |
|--|-------------------------------|-------------------|------------------|----------------------|
| Internal Service Funds -Workers' Comp. | Parking Authority | \$ 610,040 | \$ 8,261,591 | \$ 8,871,631 |
| Internal Service Funds -Workers' Comp. | Internal Service Funds -Fleet | 467,750 | 2,782,977 | <u>3,250,727</u> |
| | Total | | | <u>\$ 12,122,358</u> |

- The \$8,871,631 interfund loan balance from the Workers Compensation Fund to the Parking Authority Fund was used to pay-off the existing 2006 Lease Revenue Refunding Bonds Series A, saving the City 2% in annual interest.
- The \$3,250,727 interfund loan balance from the Workers Compensation Fund to the Internal Services Fleet Fund was used to pay off three of four remaining Fire Truck Leases, saving the City 2% in annual interest.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Interfund Transactions (Continued)

C. Transfers

Interfund transfers report the nonreciprocal contributions of resources from one fund to another that include program support, debt service and settlement, and other one-time transfers. The following is a summary of transfers for the year ended June 30, 2019, are as follows:

| | | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net Transfers</u> |
|---|--------------------------|------------------------|----------------------|----------------------|
| Governmental Activities: | | | | |
| General Fund | Program Support | \$ (12,532,743) | \$ 14,991,939 | \$ 2,459,196 |
| General Fund | Pension Trust Investment | - | 4,765,014 | 4,765,014 |
| General Fund | Debt Service | - | 5,053,931 | 5,053,931 |
| Special Grants | Program Support | 2,092 | 333,292 | 335,384 |
| Debt Service | Debt Service | (13,968,931) | - | (13,968,931) |
| Development Services | Program Support | (925,000) | - | (925,000) |
| Housing-CDBG | Program Support | (1,529,765) | 1,994,451 | 464,686 |
| Other Special Revenue | Program Support | (7,212) | (103,649) | (110,861) |
| Public Facility Fees | Program Support | (669,315) | 807,790 | 138,475 |
| Low-Moderate Income Housing- City Loans | Debt Service/ Settlement | (1,012,453) | - | (1,012,453) |
| Capital Improvement | Program Support | (666,912) | 1,635,738 | 968,826 |
| Internal Service Funds | Pension Trust Investment | (4,765,014) | - | (4,765,014) |
| Internal Service Funds | Program Support | (2,627,129) | 150,000 | (2,477,129) |
| Total Governmental Activities | | <u>(38,702,382)</u> | <u>29,628,506</u> | <u>(9,073,876)</u> |
| Business-Type Activities: | | | | |
| Water Utility | Program Support | (17,071,346) | 17,327,654 | 256,308 |
| Wastewater Utility | Program Support | (20,981,119) | 21,093,445 | 112,326 |
| Stormwater Utility | Program Support | (1,503,748) | 1,506,094 | 2,346 |
| Central Parking District | Debt Service/ Settlement | (772,504) | 10,437,400 | 9,664,896 |
| Other Enterprise non-major funds | Program Support | (962,000) | - | (962,000) |
| Total Business-Type activities | | <u>(41,290,717)</u> | <u>50,364,593</u> | <u>9,073,876</u> |
| Total Government-Wide Statements | | <u>\$ (79,993,099)</u> | <u>\$ 79,993,099</u> | <u>\$ -</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 4 – Successor Agency – Loans from City, Net

With the dissolution of the Redevelopment Agency effective January 31, 2012, the following loans are outstanding as of June 30, 2019, most of which are offset by an Allowance for Uncollectible Loans. The Successor Agency received its Finding of Completion from the State Department of Finance on October 30, 2014. On November 4, 2015, the Oversight Board adopted a resolution finding 51 Redevelopment loans from the City were made for legitimate redevelopment purposes. Dissolution law required that the accrued interest on outstanding loans be recalculated quarterly at a simple interest of 3% from the date the loans were originally authorized by the former Redevelopment Agency. Also, the Department of Finance required to have approved resolutions and signed loan agreements for the loans to be approved for repayment. City staff was unable to locate signed loan agreements and approved resolutions for all of the 51 loans. Adjustments for the write off of all loans disallowed by the Department of Finance was made in the 2016-2017 fiscal year.

Also, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan. Therefore, the total amount owed has been offset by an allowance for uncollectible interest (\$4,502,901 as of June 30, 2019) as the rate on loan was 3%.

| <u>Fund Making Loan</u> | <u>Fund Receiving Loan</u> | <u>Amount</u> | <u>Allowance for Uncollectible Loans</u> | <u>Net</u> |
|---|--|----------------------|--|---------------------|
| 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 | 3,612,575 | (3,612,575) | - |
| Parking Authority Fund | Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency | 605,984 | (605,984) | - |
| Capital Improvement Capital Projects Fund | Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency | 8,251,823 | (8,251,823) | - |
| General Fund | Private-Purpose Trust Fund Successor Agency to the Redevelopment Agency | 505,756 | (505,756) | - |
| | Interest on Redevelopment Agency Loans | 4,502,901 | (4,502,901) | - |
| | Total | <u>\$ 18,585,618</u> | <u>\$ (17,479,038)</u> | <u>\$ 1,106,580</u> |

- 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 \$3,612,575 in loans from the CDBG Programs Special Revenue Fund to the former Redevelopment Agency Capital Projects Fund was for project area expenditures. The balance, \$3,612,575 is subject to 3% annual interest. As of June 30, 2019, outstanding accrued interest balance was \$4,502,901.
- The \$605,984 is a loan from the Central Parking District Enterprise Fund to the former Redevelopment Agency Capital Projects Fund for the Waterfront Redevelopment Project Area.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

- The \$8,251,823 from the Capital Improvement Capital Projects Fund to the former Redevelopment Agency Capital Projects Fund represents loans for various project areas.
- The \$505,756 is a loan from the General Fund to the former Redevelopment Agency Capital Projects Fund for various project areas.

Note 5 – Loans to Property Owners

Loans provided to property owners are managed by the City’s Economic Development Department. Loans receivables under the City’s loan programs at June 30, 2019, are as follows:

| <u>Loan Programs</u> | <u>Governmental Activities</u> | | |
|--|--------------------------------|--------------------------|-----------------------|
| | <u>Principal</u> | <u>Deferred Interest</u> | <u>Total</u> |
| First Time Home Buyers Program (HOME) | \$ 41,110,836 | \$ 7,541,025 | \$ 48,651,861 |
| Community Development Block Grant Programs | 16,653,659 | 2,803,742 | 19,457,400 |
| Neighborhood Stabilization First Time Home Buyer Program | 9,172,893 | 860,166 | 10,033,059 |
| California Home Loans | 3,343,998 | 299,730 | 3,643,728 |
| Low & Moderate Income Housing Programs (former Agency) | 53,610,067 | 10,462,439 | 64,072,507 |
| | <u>\$ 123,891,453</u> | <u>\$ 21,967,102</u> | <u>145,858,555</u> |
| Less: Allowance for doubtful accounts | | | <u>(2,112,515)</u> |
| | | | <u>\$ 143,746,040</u> |

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

First Time Home Buyers Program (HOME)

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

Community Development Block Grant Program

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

Neighborhood Stabilization Program

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 – Loans to Property Owners (Continued)

California Home Loans Program

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

Low & Moderate Income Housing

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

Note 6 – Capital Assets

A. Government-wide Financial Statements

At June 30, 2019, the City's capital assets are as follows:

| | Governmental Activities | Business - Type Activities | Total |
|---|------------------------------------|---------------------------------------|--------------------------------|
| Capital assets, not being depreciated: | | | |
| Land | \$ 40,985,489 | \$ 11,688,933 | \$ 52,674,422 |
| Intangible assets - easements | 4,354,960 | 803,845 | 5,158,805 |
| Construction in progress | 131,631,678 | 17,937,216 | 149,568,894 |
| Total capital assets, not being depreciated | <u>176,972,127</u> | <u>30,429,994</u> | <u>207,402,121</u> |
| Capital assets, being depreciated: | | | |
| Infrastructure | 592,135,025 | - | 592,135,025 |
| Buildings and improvements | 305,541,243 | 1,032,198,460 | 1,337,739,703 |
| Machinery and equipment | 78,840,086 | 16,400,798 | 95,240,884 |
| Total capital assets, being depreciated | <u>976,516,354</u> | <u>1,048,599,258</u> | <u>2,025,115,612</u> |
| Less accumulated depreciation for: | | | |
| Infrastructure | (204,075,768) | - | (204,075,768) |
| Buildings and improvements | (125,465,229) | (381,686,380) | (507,151,609) |
| Machinery and equipment | (52,520,039) | (10,359,962) | (62,880,001) |
| Total accumulated depreciation | <u>(382,061,036)</u> | <u>(392,046,342)</u> | <u>(774,107,378)</u> |
| Total capital assets, being depreciated, net | <u>594,455,318</u> | <u>656,552,916</u> | <u>1,251,008,234</u> |
| Total capital assets, net | <u><u>\$ 771,427,445</u></u> | <u><u>\$ 686,982,910</u></u> | <u><u>\$ 1,458,410,355</u></u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Capital Assets (Continued)

B. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2019, are as follows:

| Governmental Activities: | Balance July 1, 2018 | Additions | Deletions | Transfers | Balance June 30, 2019 |
|--|---------------------------------|----------------------|-----------------------|---------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 42,606,548 | \$ - | \$ (1,621,059) | \$ - | \$ 40,985,489 |
| Intangible assets - easements | 4,354,960 | - | - | - | 4,354,960 |
| Construction in progress | 138,200,832 | 26,823,541 | (145) | (33,392,550) | 131,631,678 |
| Total capital assets, not being depreciated | <u>185,162,340</u> | <u>26,823,541</u> | <u>(1,621,204)</u> | <u>(33,392,550)</u> | <u>176,972,127</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 559,670,232 | 3,693,883 | - | 28,770,910 | 592,135,025 |
| Buildings and improvements | 305,438,815 | - | - | 102,428 | 305,541,243 |
| Machinery and equipment | 71,289,197 | 2,938,508 | (222,910) | 4,835,291 | 78,840,086 |
| Total capital assets, being depreciated | <u>936,398,244</u> | <u>6,632,391</u> | <u>(222,910)</u> | <u>33,708,629</u> | <u>976,516,354</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (193,793,555) | (10,282,213) | - | - | (204,075,768) |
| Buildings and improvements | (119,484,607) | (5,980,622) | - | - | (125,465,229) |
| Machinery and equipment | (48,162,400) | (4,580,549) | 222,910 | - | (52,520,039) |
| Total accumulated depreciation | <u>(361,440,562)</u> | <u>(20,843,384)</u> | <u>222,910</u> | <u>-</u> | <u>(382,061,036)</u> |
| Total capital assets, being depreciated, net | <u>574,957,682</u> | <u>(14,210,993)</u> | <u>-</u> | <u>33,708,629</u> | <u>594,455,318</u> |
| Governmental activities capital assets, net | <u>\$ 760,120,022</u> | <u>\$ 12,612,548</u> | <u>\$ (1,621,204)</u> | <u>\$ 316,079</u> | <u>\$ 771,427,445</u> |

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2019, are as follows:

| Governmental Activities: | |
|---------------------------------|----------------------|
| General Government | \$ 3,369,399 |
| Public Works | 10,813,084 |
| Parks & Recreation | 1,542,684 |
| Library | 166,778 |
| Public Safety | 873,242 |
| Internal Service Funds | 4,078,198 |
| Total | <u>\$ 20,843,384</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Capital Assets (Continued)

C. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2019, are as follows:

| Business-type Activities: | Balance July 1, 2018 | Additions | Deletions | Transfers | Balance June 30, 2019 |
|--|---------------------------------|------------------------|------------------|---------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 11,688,933 | | | \$ - | \$ 11,688,933 |
| Intangible asset - easements | 803,845 | | - | - | 803,845 |
| Construction in progress | 10,124,128 | 7,813,088 | | | 17,937,216 |
| Total capital assets, not being depreciated | <u>22,616,906</u> | <u>7,813,088</u> | <u>-</u> | <u>-</u> | <u>30,429,994</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 1,031,415,247 | 783,213 | - | | 1,032,198,460 |
| Machinery and equipment | 15,439,120 | 1,332,657 | | (370,979) | 16,400,798 |
| Total capital assets, being depreciated | <u>1,046,854,367</u> | <u>2,115,870</u> | <u>-</u> | <u>(370,979)</u> | <u>1,048,599,258</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (359,222,768) | (22,463,612) | - | - | (381,686,380) |
| Machinery and equipment | (9,591,912) | (768,050) | - | - | (10,359,962) |
| Total accumulated depreciation | <u>(368,814,680)</u> | <u>(23,231,662)</u> | <u>-</u> | <u>-</u> | <u>(392,046,342)</u> |
| Total capital assets, being depreciated, net | <u>678,039,687</u> | <u>(21,115,792)</u> | <u>-</u> | <u>(370,979)</u> | <u>656,552,916</u> |
| Business-type activities capital assets, net | <u>\$ 700,656,593</u> | <u>\$ (13,302,704)</u> | <u>\$ -</u> | <u>\$ (370,979)</u> | <u>\$ 686,982,910</u> |

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2019, are as follows:

| Business-type Activities: | |
|----------------------------------|----------------------|
| Water Utility | \$ 8,071,035 |
| Wastewater Utility | 12,143,620 |
| Stormwater Utility | 1,633,353 |
| Parking Authority | 760,857 |
| Golf Courses | 90,928 |
| Marina | 531,869 |
| Total | <u>\$ 23,231,662</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Capital Assets (Continued)

D. Fiduciary Fund Activities

Summary of Changes in Fiduciary Fund capital assets for the year ended June 30, 2019, are as follows:

| Fiduciary Fund Activities: | Balance July 1, 2018 | Additions | Deletions | Transfers | Balance June 30, 2019 |
|--|---------------------------------|---------------------|------------------|------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 12,897,928 | \$ - | \$ - | \$ 54,900 | \$ 12,952,828 |
| Intangible assets - easements | 100,000 | - | - | - | 100,000 |
| Total capital assets, not being depreciated | <u>12,997,928</u> | <u>-</u> | <u>-</u> | <u>54,900</u> | <u>13,052,828</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 10,898,549 | - | - | - | 10,898,549 |
| Buildings and improvements | 11,229,529 | - | - | - | 11,229,529 |
| Machinery and equipment | 471,547 | - | - | - | 471,547 |
| Total capital assets, being depreciated | <u>22,599,625</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,599,625</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (2,276,353) | (249,630) | - | - | (2,525,983) |
| Buildings and improvements | (5,627,504) | (343,471) | - | - | (5,970,975) |
| Machinery and equipment | (223,424) | (18,641) | - | - | (242,065) |
| Total accumulated depreciation | <u>(8,127,281)</u> | <u>(611,742)</u> | <u>-</u> | <u>-</u> | <u>(8,739,023)</u> |
| Total capital assets, being depreciated, net | <u>14,472,344</u> | <u>(611,742)</u> | <u>-</u> | <u>-</u> | <u>13,860,602</u> |
| Governmental activities capital assets, net | <u>\$ 27,470,272</u> | <u>\$ (611,742)</u> | <u>\$ -</u> | <u>\$ 54,900</u> | <u>\$ 26,913,430</u> |

Fiduciary Fund depreciation expenses for capital assets for the year ended June 30, 2019, are as follows:

| | |
|-----------------------------------|-------------------|
| Fiduciary Fund Activities: | |
| Successor Agency | <u>\$ 611,742</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in governmental activities long-term debt for the year ended June 30, 2019, are as follows:

| | Balance July 1, 2018 | Additions | Payments/ Reductions | Discounts | Balance June 30, 2019 | Current | Long term Portion |
|--|-------------------------|-------------|-------------------------|------------------|--------------------------|---------------------|----------------------|
| Governmental Fund Activities Debt | | | | | | | |
| City Debt | | | | | | | |
| City Debt Service Fund | | | | | | | |
| Lease Revenue Refunding Bonds | | | | | | | |
| 2006A ESB Lease Revenue Refunding Bonds | \$ 9,425,000 | \$ - | \$ (9,425,000) | \$ - | \$ - | \$ - | \$ - |
| Discount | (44,903) | - | - | 44,903 | - | - | - |
| Total Lease Revenue Bonds | 9,380,097 | - | (9,425,000) | 44,903 | - | - | - |
| Assured Guaranty Settlement | | | | | | | |
| Assured Settlement Obligation | 53,547,049 | - | (69,386) | - | 53,477,663 | 99,423 | 53,378,240 |
| Total Settlement Obligation Bonds | 53,547,049 | - | (69,386) | - | 53,477,663 | 99,423 | 53,378,240 |
| Other Long-Term Obligations | | | | | | | |
| CDBG | | | | | | | |
| USD-HUD Housing Note (4) | 7,660,000 | - | (500,000) | - | 7,160,000 | 520,000 | 6,640,000 |
| USD-HUD Housing Note (1 replaced with new 1) | 735,000 | - | (230,000) | - | 505,000 | 245,000 | 260,000 |
| USD-HUD Housing Note (2 paid off FY15, 3 replaced with 1) | 2,510,000 | - | (785,000) | - | 1,725,000 | 835,000 | 890,000 |
| Subtotal CDBG | 10,905,000 | - | (1,515,000) | - | 9,390,000 | 1,600,000 | 7,790,000 |
| Capital Lease Obligations | | | | | | | |
| Capital/ Equip (Fire) Tax-Exempt Lease Obligation-2008 | 362,186 | - | (362,186) | - | - | - | - |
| Capital/ Equip (Civic-HVAC) Tax-Exempt Lease Obligation-2011 | 467,386 | - | (467,387) | - | - | - | - |
| Capital/ Equip (Fire) Tax-Exempt Lease Obligation-2013 | 787,203 | - | (187,323) | - | 599,880 | 193,504 | 406,376 |
| Capital/Equip (Fire) Tax-Exempt Lease Obligation- 2015 | 1,637,700 | - | (1,637,700) | - | - | - | - |
| Capital/Equip (Fire) Tax-Exempt Lease Obligation- 2017 | 1,693,364 | - | (1,693,364) | - | - | - | - |
| Total Capital Leases and Loan | 4,947,839 | - | (4,347,960) | - | 599,880 | 193,504 | 406,376 |
| Total | \$78,779,985 | \$ - | \$ (15,357,346) | \$ 44,903 | \$ 63,467,543 | \$ 1,892,927 | \$61,574,616 |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

GASB 88 statement with respect to Governmental debt. GASB 88 requires certain conditions to be disclosed, specifically:

1. Amounts of unused lines of credit
2. Assets pledged as collateral for debt
3. Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

Where appropriate items needing to be disclosed have been included below under each section that they apply.

Pension Obligation Bonds

GASB 88 statement

There are no unused lines of credit with respect to the Pension Bond Settlement with Assured Guaranty. The pledge of payment is from all available sources available to the City, up to and including the General Fund.

Should default in prompt payment or in other obligations under the settlement agreement with Assured Guaranty occur and remain unresolved, under section 5.02 of the Reimbursement Agreement, non-contingent payment streams accelerate and are immediately due and payable. Assured Guaranty is allowed to exercise all rights and remedies legally available (without limitation) to enforce payment of Contingent General Fund Payments due in each year as they become required.

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

The 2007 POBs were issued on March 26, 2007, to refinance the obligation of the City to make payments to the California Public Employees Retirement System for retirement benefits accruing to its employees and retirees. The 2007 POBs for Series A were issued in the amount of \$96,985,000. As of June 30, 2019, bonds totaling \$82,670,000 were due in installments of principal ranging from \$2,345,000 on September 1, 2019, to \$8,400,000 on September 1, 2037, with interest rates ranging from 5.365% to 5.455%, and a final maturity date of September 1, 2037. The 2007 POBs for Series B were issued in the amount of \$28,325,000. At June 30, 2019, bonds totaling \$27,610,000 are due in installments of principal ranging from \$790,000 on September 1, 2019, to \$2,800,000 on September 1, 2037, with interest rates ranging from 5.675% to 5.795%. The Series A and Series B for the 2007 POBs are insured by Assured Guaranty and do not have a reserve fund. The above liabilities are written down and an alternate liability is being recorded which reflects the payments required by the City under a settlement agreement reached with Assured Guaranty. This background on the original liabilities is shown in this footnote due to the bonds still trading in the secondary markets.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Pension Obligation Bonds (Continued)

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

As part of a settlement between the City and Assured Guaranty, that became effective upon implementation of the approved Plan of Adjustment. The City is obligated, under a revised indenture, to pay a new series of payments. That series of payments is made up of Non-Contingent General Fund payments which are made up of three types; Special Fund, Ask, and Supplemental, which have all been determined. Special Fund payments range from \$1,540,593 on July 1, 2019 to \$2,009,482 due on July 1, 2053; Ask Fund payments are due in installments ranging from \$1,334,875 on June 1, 2019 to \$2,531,250 due on June 1, 2052; and Supplemental Payments are due in installments of \$250,000 from June 1, 2023, to June 1, 2042, and installments of \$350,000 from June 1, 2023, to June 1, 2052. Additionally, there are Contingent General Fund Payments, which are yet to be determined by future revenues of the City’s General Fund. These Contingent Payments extend from June 1, 2020, to June 1, 2053, should General Fund Revenues require them to be made. The payment due June 1, 2020, is currently anticipated to be \$2,015,000.

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

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

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Annual Debt Service Requirements to Maturity

| Year June 30 | Special Fund Payments | | 2007 Lease Ask Payments | | Supplemental Payments | |
|-----------------|-----------------------|----------------------|-------------------------|----------------------|-----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 99,423 | \$ 1,441,170 | \$ - | \$ 1,334,875 | \$ - | \$ - |
| 2021 | 130,569 | 1,435,686 | - | 1,334,875 | - | - |
| 2022 | 164,013 | 1,428,483 | - | 1,334,875 | - | - |
| 2023 | 198,847 | 1,419,436 | - | 2,529,750 | - | 250,000 |
| 2024 | 237,557 | 1,408,468 | - | 2,529,125 | - | 250,000 |
| 2025-2029 | 1,017,294 | 6,843,825 | - | 12,648,376 | - | 1,250,000 |
| 2030-2034 | 1,400,349 | 6,561,968 | - | 12,652,439 | - | 1,250,000 |
| 2035-2039 | 2,730,029 | 6,064,237 | 497,220 | 10,957,578 | - | 1,250,000 |
| 2040-2044 | 5,013,786 | 5,033,624 | 6,660,087 | 5,621,604 | 401,899 | 1,048,101 |
| 2045-2049 | 6,557,796 | 3,489,614 | 8,711,902 | 3,457,173 | 1,271,683 | 478,317 |
| 2050-2053 | 8,577,290 | 1,470,120 | 8,863,925 | 766,140 | 943,995 | 106,005 |
| Total | <u>\$ 26,126,953</u> | <u>\$ 36,596,631</u> | <u>\$ 24,733,134</u> | <u>\$ 55,166,810</u> | <u>\$ 2,617,577</u> | <u>\$ 5,882,423</u> |

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

Other Long-term Obligations

Notes Payable

GASB 88 statement

There are no unused lines of credit with respect to the following HUD loans and the pledge of payment is from federal funds available to the City under the HUD program.

Should default in prompt payment with respect to the payment under these loans occur, future payments to the City under the HUD program would be held back and used as payment for these loans.

The City entered into four Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development to complete redevelopment projects. The first loan was paid off on August 1, 2014 and as of June 30, 2019, the second loan totaling \$505,000 has notes due in installments ranging from \$ 245,000 to \$260,000 that are to be paid August 1, 2019, through August 1, 2020, with interest rates ranging from 1.88% to 1.98%; the third loan with payments totaling \$1,725,000 has notes due in installments ranging from \$835,000 to \$890,000 that are due to be paid from August 1, 2019, through August 1, 2020, with interest rates ranging from 1.88% to 1.98%. The fourth loan with payments totaling \$7,160,000 was repriced by HUD through their issuance of Series 2019A notes in March of 2019 This loan has the same installment payments due in installments ranging from \$520,000 to \$1,920,000 and are to be paid through August 1, 2024, with reduced interest rates ranging from 2.54% to 2.668%. Repayment of the loans is made from program income received under the City’s housing loans program.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Annual Debt Service Requirements to Maturity

| <u>Year Ending June 30</u> | <u>Notes Payable</u> | |
|--------------------------------|---|-----------------|
| | U.S. Dept. of Housing & Urban Development | |
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$ 1,600,000 | \$ 213,432 |
| 2021 | 1,675,000 | 176,338 |
| 2022 | 1,750,000 | 135,771 |
| 2023 | 1,830,000 | 89,979 |
| 2024 | 1,920,000 | 41,541 |
| 2025-2029 | 615,000 | 8,204 |
| Total | \$ 9,390,000 | \$ 665,265 |

Capital Lease Obligations

There are no unused lines of credit with respect to the following lease. The pledge of payment is for annual appropriation and payment from all available sources up to and including the General Fund of the City.

The four Pierce pumper trucks purchased through the Oshkosh Financing in this 2012 are pledged in the borrowing and should default in payment occur, or appropriation fail to be made for annual lease payments, the fire trucks may be repossessed. The City agrees to keep the vehicles purchased under this financing free of liens and encumbrances, and to keep the vehicles insured up to the remaining termination value of the lease.

Fire Pumper Trucks

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

The assets acquired through the capital lease are as follows:

| | |
|--------------------------------|--------------|
| Machinery and Equipment | \$ 1,871,404 |
| Less: Accumulated depreciation | (790,148) |
| Total | \$ 1,081,256 |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Other Long-term Obligations (Continued)

The lease qualifies as a capital lease for accounting purposes and have been recorded at the present value of the future minimum lease payments. As of June 30, 2019, the future minimum lease obligations and the net present value of this minimum lease payments are as follows:

| Year Ending June 30 | Capital Lease #3 | |
|------------------------|-------------------|------------------|
| | Principal | Interest |
| 2020 | \$ 193,504 | \$ 19,796 |
| 2021 | 199,890 | 13,410 |
| 2022 | 206,486 | 6,814 |
| Total | <u>\$ 599,880</u> | <u>\$ 40,020</u> |

B. Business-Type Activities

Summary of changes in business-type activities long-term debt for the year ended June 30, 2019, are as follows:

| | Balance at July 1, 2018 | Additions | Payments / Reductions | Balance at June 30, 2019 | Current | Non-Current |
|---|----------------------------|--------------------|--------------------------|-----------------------------|----------------------|-----------------------|
| <u>Water Utility Obligations</u> | | | | | | |
| 2002A CSCDA Water Revenue Bonds | \$ 4,915,000 | \$ - | \$ (4,915,000) | \$ - | \$ - | \$ - |
| Discount | (68,726) | - | 68,726 | - | - | - |
| 2005A Water System Revenue Bonds | 19,180,000 | - | (19,180,000) | - | - | - |
| Premium | 77,825 | - | (77,825) | - | - | - |
| 2009A Water System Revenue Bonds | - | - | - | - | - | - |
| 2009B Water System Revenue Bonds (Taxable) | 150,715,000 | - | (150,715,000) | - | - | - |
| Premium | 815,217 | - | (815,217) | - | - | - |
| 2010A Water System Demand Revenue Bonds (2013 Conversion) | 53,545,000 | - | (135,000) | 53,410,000 | 140,000 | 53,270,000 |
| Premium (From 2013 Conversion) | 2,776,713 | - | (124,332) | 2,652,381 | 124,330 | 2,528,051 |
| 2018A Water System Demand Revenue Bonds | - | 145,220,000 | - | 145,220,000 | 4,835,000 | 140,385,000 |
| Premium | - | 15,188,867 | (427,313) | 14,761,554 | 810,073 | 13,951,481 |
| Total Water Utility | <u>231,956,029</u> | <u>160,408,867</u> | <u>(176,320,961)</u> | <u>216,043,935</u> | <u>5,909,403</u> | <u>210,134,532</u> |
| <u>Wastewater Utility Obligations</u> | | | | | | |
| 2014 Wastewater Refunding Revenue Bonds | 59,375,000 | - | (3,635,000) | 55,740,000 | 3,795,000 | 51,945,000 |
| Premium (on 2014 refunding) | 8,153,786 | - | (729,980) | 7,423,806 | 729,981 | 6,693,825 |
| Total Wastewater Utility | <u>67,528,786</u> | <u>-</u> | <u>(4,364,980)</u> | <u>63,163,806</u> | <u>4,524,981</u> | <u>58,638,825</u> |
| <u>Parking Authority</u> | | | | | | |
| Parking Bond Settlement Obligation | 24,970,449 | - | (301,540) | 24,668,909 | 323,934 | 24,344,975 |
| Total - Central Parking Debt | <u>24,970,449</u> | <u>-</u> | <u>(301,540)</u> | <u>24,668,909</u> | <u>323,934</u> | <u>24,344,975</u> |
| <u>Marina Operation</u> | | | | | | |
| CDBW Harbor Facility Construction and Planning Loans | 10,870,821 | - | - | 10,870,821 | - | 10,870,821 |
| Total - Marina Debt | <u>10,870,821</u> | <u>-</u> | <u>-</u> | <u>10,870,821</u> | <u>-</u> | <u>10,870,821</u> |
| Total - Enterprise Fund Activities Debt | <u>\$ 335,326,085</u> | <u>160,408,867</u> | <u>\$ (180,987,481)</u> | <u>\$ 314,747,471</u> | <u>\$ 10,758,318</u> | <u>\$ 303,989,153</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

With respect to Business Type Debt, GASB statement no. 88 requires certain conditions to be disclosed, specifically:

1. Amounts of unused lines of credit
2. Assets pledged as collateral for debt
3. Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (2) subjective acceleration clauses.

Where appropriate items needing to be disclosed have been included below under each section where they apply.

Water Utility

GASB 88 statement

There are no unused credit lines for any Water Utility debt. Only net revenues of the utility are pledged for payment of the debt. Events of default with finance related consequences and subjective acceleration are included in section 7 of the indentures for both of the bonds listed below. These acceleration clauses only occur upon continued default in payment of performance of covenanted actions and receipt of a written request of not less than a majority of the bondholders, after which the Trustee would pull from funds on hand under the separate section of the agreement, and then upon court order from net revenues of the system held by the City.

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

Stockton Public Financing Authority Revenue Bonds Series 2010A

The 2010 Water Revenue Bonds, Series A (Delta Water Supply Project) (the "2010A Bonds") were issued in the amount of \$55,000,000 by the SPFA on October 20, 2010. The SPFA originally issued the 2010A Bonds as variable rate demand bonds in weekly mode. Due to an inability to successfully obtain a new Letter of Credit (LOC) facility while in Chapter 9 bankruptcy. The 2010A Bonds were remarketed in a long-term, fixed rate mode on November 26, 2013. As of June 30, 2019, \$53,410,000 of 2010A Bonds remain outstanding with installments of principal ranging from \$140,000 to \$16,500,000 beginning October 1, 2019, through October 1, 2040, with interest rates ranging from 4.0% to 6.25%. There was no gain or loss as a result of the current refunding.

The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. The repayment of the 2010A Bonds is from a pledge of net revenues of the Fund. The principal amount due is reported net of the unamortized premium of \$2,652,381.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Stockton Public Financing Authority Revenue Refunding Bonds Series 2018A

The 2018 Water Revenue Bonds, Series A were issued in the amount of \$145,220,000 by the SPFA on November 20, 2018. The SPFA issued the Bonds to refinance three series of bonds issued in 2002, 2005, and 2009, that finance multiple projects, including the majority of the financing for the Delta Water Supply Project. As of June 30, 2019, 145,220,000 of 2018A Bonds remain outstanding with installments of principal ranging from \$4,835,000 to \$12,195,000 beginning October 1, 2019, through October 1, 2037, with interest rates ranging from 4.0% to 5.0%.

The repayment of the 2018A Bonds is from a pledge of available revenues of the fund. Available funds are those remaining after payment on the 2010A Bonds (listed above), which are issued on a senior lien to the 2018A bonds. The principal amount due is reported net of the unamortized premium of \$14,761,554, and unamortized loss on refunding of \$7,044,378.05.

Pledge Revenues

The City has pledged future net system revenues from the Water Fund for the repayment of all of the Revenue Bonds of the Water Fund. For the year ended June 30, 2019, total principal and interest paid was \$12,413,171 and net revenues were \$27,833,832 after netted with Build America Bonds Subsidy on the 2009B bonds. Rate Stabilization Funds balances at the end of FY 2018/19 stand at \$2,829,884. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds are \$341,108,013.

Debt Covenants

The Revenue Bonds all require the maintenance of a financial covenant of minimum debt service coverage (DSC) ratio. The minimum DSC ratio for the senior bonds is 115% of net system revenues, which are pledged for repayment of senior revenue bonds. The minimum DSC ratio for subordinate bonds is 115% of net system revenues after the payment of senior bonds. The DSC ratio is the measure of the Water Fund's ability to have sufficient resources to pay its debt service. The Water Fund has met its DSC for the fiscal year ended June 30, 2019, at each measurement, first on senior lien bond, and then on subordinate lien bonds.

Wastewater Utility

GASB 88 statement

There are no unused credit lines for any Wastewater Utility debt. Only net revenues of the utility are pledged for payment of the debt. Events of default with finance related consequences are included in section 7 of the indentures for the bond listed below. In no event are the 2014 bonds subject to acceleration if an event of default occurs and is not resolved. In the event of unresolved payment default, the Trustee would pull from funds on hand under the separate section of the agreement, and then upon court order from net revenues of the system held by the City.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Wastewater Utility (Continued)

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

Stockton Public Financing Authority

Wastewater Revenue Refunding Bonds, Series 2014 (1998 Wastewater Project and 2003 Wastewater Project) were issued in an amount of \$69,440,000 by the SPFA on November 24, 2014. As of June 30, 2019, bonds totaling \$59,375,000 are due in annual installments of principal ranging from \$3,795,000 to \$6,530,000 beginning September 1, 2019, through September 1, 2029, with interest rates of 5.00% on the bonds outstanding. The Bonds were issued to advance refund the 1998 and 2003 certificates of participation. Repayment of the Bonds is a pledge of net revenues of the Wastewater Fund. With the implementation of Government Accounting Standard Board ("GASB") Statement No. 65, the balance of the loss on refunding is reported as a deferred outflow of resources and at June 30, 2019, there is \$1,734,810 outstanding. The principal amount due is reported net of the unamortized premium of \$7,423,806.

Pledge Revenues

The City has pledged future net revenues from the Wastewater Fund for the repayment of the COPs and Bonds. For the year ended June 30, 2019, the City paid total principal and interest of \$6,494,700 and had net revenues of \$29,088,875. At June 30, 2019, the total principal and interest remaining to be paid on the Wastewater Bonds are \$72,610,000.

Debt Covenants

The Bonds require the maintenance of a financial covenant of minimum debt service coverage (DSC) ratio. The minimum DSC ratio for Bonds is 115% of Adjusted Net System Revenues which are pledged toward repayment of all bonds. The DSC ratio is the measure of the Wastewater Fund's ability to have sufficient resources to pay its debt service. The Wastewater Fund has met its DSC for the fiscal year ended June 30, 2019, at each measurement period.

Please see Note 17 regarding the issuance of Bond Anticipation Notes that occurred in October 2019 in the amount of \$118,510,000.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Parking Authority

GASB 88 statement

There are no unused credit lines for any Parking District debt. Gross revenues of the district are pledged toward settlement payments with the bond insurer for the 2004 bonds. There is a covenant to set rates such that they will provide net coverage for Operation and Maintenance (including the settlement payments) of 1.0 coverage. Events of default with finance related consequences and subjective acceleration are included in section 9 of the Installment Sale Agreement entered into upon exit from bankruptcy. Defaulted payment is immediately due with 5% interest on the defaulted payment, and includes payment of any legal fees required to compel payment, but are only payable from revenues of the Parking Authority, and involve no other funds of the City.

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, 2019, the 2004 Parking Bonds totaling \$27,855,000 are due in annual installments of principal ranging from \$825,000 on September 1, 2019 to \$2,950,000 on September 1, 2034, with interest rates ranging from 4.75% to 5.25%, and a final maturity date of September 1, 2034. The 2004 Parking Bonds were issued to finance the construction of the Stockton Events Center Parking Structure, the Edward S. Coy Parking Garage, and other parking facilities within the Parking Authority. The above bonds, held by investors, while still outstanding, has been replaced by an alternate liability of the Parking Authority (“Authority”), which at June 30, 2019, has totaled \$24,668,908, and was due in installments ranging from \$301,540 to be paid in FY 2019 and \$1,795,823 to be paid in FY 2047. These principal installments reflect the payments required by the Authority under a settlement agreement reached with the Insurer of the Bonds, National Public Finance Guaranty (“NPFPG”). Additional explanation on the liability and how it is reflected is shown below.

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

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

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

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

Downtown Marina

GASB 88 statement

There are no unused credit lines for any Marina debt. Under a settlement agreement with the Department of Boating and Waterways, net revenues of the Marina are pledged toward reducing the liability. The Marina operates on a subsidy from the City and, absent that subsidy, is anticipated to operate at a loss for the foreseeable future. It is anticipated that settlement payments with the bond insurer for the 2004 bonds. There is a covenant to set rates such that they will provide net coverage for Operation and Maintenance (including the settlement payments) of 1.0 coverage. There are no events of default with finance related consequences and subjective acceleration clauses do not exist with respect to these frozen obligations.

Construction and Planning Loans

On March 17, 1997, the City entered into an agreement with the California Department of Boating and Waterways (“DBAW”) for a planning loan to provide funding for a feasibility study regarding the potential construction of waterfront improvements. That feasibility study was approved on May 16, 2000, and the City entered into an agreement with DBAW for the construction loan to develop a small craft harbor facility on August 9, 2004. Engineering work began in the fiscal year 2006. Construction of the facility started during the fiscal year ended June 30, 2009, and the project was completed in 2011. The principal remaining to be paid on both the planning and construction loans as of June 30, 2019, is \$10,870,822.

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

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Annual Debt Service Requirements to Maturity

| Year Ending June 30 | Water Utility Revenue Bonds | | Wastewater Utility Revenue Bonds | | Central Parking District Settlement Liability | |
|------------------------|--------------------------------|-----------------------|-------------------------------------|----------------------|--|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2020 | \$ 4,975,000 | \$ 10,319,213 | \$ 3,795,000 | \$ 2,692,125 | \$ 323,934 |
| 2021 | 5,240,000 | 10,065,288 | 3,995,000 | 2,497,375 | 347,633 | 1,255,645 |
| 2022 | 5,515,000 | 9,797,913 | 4,195,000 | 2,292,625 | 372,710 | 1,237,331 |
| 2023 | 5,805,000 | 9,516,463 | 4,410,000 | 2,077,500 | 399,238 | 1,217,701 |
| 2024 | 5,815,000 | 9,227,587 | 4,635,000 | 1,851,375 | 427,296 | 1,196,678 |
| 2025-2029 | 34,045,000 | 41,336,563 | 28,180,000 | 5,295,750 | 2,616,998 | 5,613,435 |
| 2030-2034 | 44,130,000 | 31,584,487 | 6,530,000 | 163,250 | 3,601,390 | 4,827,285 |
| 2035-2039 | 61,105,000 | 18,599,249 | - | - | 4,895,516 | 3,752,035 |
| 2040-2044 | 32,000,000 | 2,031,250 | - | - | 6,591,954 | 2,297,253 |
| 2045-2048 | - | - | - | - | 5,092,241 | 472,191 |
| Total | <u>\$ 198,630,000</u> | <u>\$ 142,478,013</u> | <u>\$ 55,740,000</u> | <u>\$ 16,870,000</u> | <u>\$ 24,668,910</u> | <u>\$ 23,142,268</u> |

C. Fiduciary Fund Activities

Summary of changes in Fiduciary Fund long-term liabilities for the year ended June 30, 2019, are as follows:

| Successor Agency to RDA of Stockton | Balance | Additions | Reductions | Balance | Current | Non-Current |
|---|-----------------------|-------------|-----------------------|-----------------------|---------------------|----------------------|
| | July 1, 2018 | | | June 30, 2019 | | |
| Revenue Bonds | | | | | | |
| 2016 Series A Successor Agency Tax Allocation Bonds | \$ 73,310,000 | \$ - | \$ - | \$ 73,310,000 | \$ - | \$ 73,310,000 |
| Premium | 9,101,044 | - | (562,951) | 8,538,093 | 562,951 | 7,975,142 |
| 2016 Series B Successor Agency Tax Allocation Bonds (Taxable) | 25,815,000 | - | (3,565,000) | 22,250,000 | 3,625,000 | 18,625,000 |
| Discount | (199,778) | - | 32,396 | (167,382) | (32,396) | (134,986) |
| Total RDA Liabilities | <u>\$ 108,026,266</u> | <u>\$ -</u> | <u>\$ (4,095,555)</u> | <u>\$ 103,930,711</u> | <u>\$ 4,155,555</u> | <u>\$ 99,775,156</u> |

The Fiduciary Fund has a special item recorded for the transfer of proceeds of \$10,236,779 to the City to refund the 2003 Series A & B.

Successor Redevelopment Agency

GASB 88 statement

There are no unused credit lines for any Successor Agency debt. A pledge of tax revenues received by the Successor Agency as described below is the only source of payment pledged on these bonds and no real property is pledged as collateral. Section 10 of the indenture lists events of default that if uncured, may, with consent of 25% of the registered owners, result in acceleration of the bonds. Should this occur, funds held by the trustee will be immediately used to satisfy any defaulted payment. Subsequently, the bond insurer would be required to satisfy bondholders as payments become due. Upon court order, tax revenues received by the agency would be transmitted to the Trustee, or Insurer to satisfy reimbursement. The bond insurer, at its option may satisfy the accelerated payments and seek reimbursement from tax revenues received by the agency.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Activities (Continued)

Successor Redevelopment Agency (Continued)

2016 Tax Allocation Refunding Bonds, Series A and B (Federally Taxable)

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

As of June 30, 2019, the 2016 Series A Bonds totaling \$73,310,000 are due in annual installments of principal ranging from \$610,000 on September 1, 2024 to \$7,195,000 on September 1, 2037, with final payment on September 1, 2037, with interest rates ranging from 3.25% to 5.00%. The principal amount due is reported net of the unamortized premium of \$8,538,092.

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

As of June 30, 2019, the 2016 Series B Bonds totaling \$22,250,000 are due in annual installments of principal ranging from \$3,415,000 to \$3,925,000 due in annual installments through on September 1, 2037, with interest rates ranging from 1.625% to 2.75%. The principal amount due is reported net of the unamortized discount of \$167,381.

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

Annual Debt Service Requirements to Maturity

Land Secured Debt Financing (No City Commitment) – The City has authorized the formation of community facilities districts (CFDs) and assessment districts (called local improvement districts) or LIDs and the issuance of bonds under various public improvement acts of the State of California to finance eligible public facilities necessary to serve developing commercial, industrial, residential and/or mixed-use developments. The bonds are secured by annual special tax levies or liens placed on the property within the districts.

The City is not liable for repayment and is only responsible for collecting the special taxes or assessments, making payment from the special taxes or assessments to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from special taxes or assessments, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the City’s basic financial statements. As of June 30, 2019, there was one CFD special tax bond and six revenue bonds outstanding with aggregate principal amounts payable of \$3,535,000 and \$66,820,000, respectively.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Activities (Continued)

Annual Debt Service Requirements to Maturity (Continued)

| Year Ending June 30 | 2016 Series A Successor Agency Tax Allocation Bonds | | 2016 Series B Successor Agency Tax Allocation Bonds (Taxable) | |
|---------------------------|--|----------------------|--|---------------------|
| | Principal | Interest | Principal | Interest |
| | 2020 | \$ - | \$ 3,373,800 | \$ 3,625,000 |
| 2021 | - | 3,373,800 | 3,685,000 | 399,988 |
| 2022 | - | 3,373,800 | 3,760,000 | 323,188 |
| 2023 | - | 3,373,800 | 3,840,000 | 237,638 |
| 2024 | - | 3,373,800 | 3,925,000 | 142,974 |
| 2025-2029 | 18,500,000 | 14,997,250 | 3,415,000 | 46,955 |
| 2030-2034 | 27,760,000 | 9,072,800 | - | - |
| 2035-2039 | 27,050,000 | 2,336,125 | - | - |
| Total | <u>\$ 73,310,000</u> | <u>\$ 43,275,175</u> | <u>\$ 22,250,000</u> | <u>\$ 1,617,034</u> |

D. Debt Without City Commitment

Please refer to Subsequent Events Note 17 for information regarding the issuance of additional Debt without City Commitment that occurred in in July and August 2019.

Conduit Debt (No City Commitment) – As of June 30, 2019, there is no longer any conduit debt outstanding that was issued with the City as the conduit issuer.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 – Accrued Compensated Absences

The value of all accumulated vacation and longevity vacation allowance is accrued, as appropriate, for all funds. Earned but unused sick is not accrued starting with negotiated bargaining unit contracts that began in the fiscal year 2012-13 and continued through June 30, 2019. The bargaining unit contracts state that all sick time accrual has no cash value upon separation from the City.

The compensated absence accrual is presented in the Government-Wide Financial Statements. The changes in compensated absences of governmental and business-type activities are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------|------------------------------------|-------------------------------------|----------------------|
| Beginning July 1, 2018 | \$ 11,167,641 | \$ 1,063,472 | \$ 12,231,113 |
| Additions | 8,985,710 | 1,185,605 | 10,171,315 |
| Payments | <u>(9,266,587)</u> | <u>(1,153,030)</u> | <u>(10,419,617)</u> |
| Balance June 30, 2019 | <u>\$ 10,886,764</u> | <u>\$ 1,096,047</u> | <u>\$ 11,982,811</u> |
| Current Portion | <u>\$ 6,210,320</u> | <u>\$ 783,727</u> | <u>\$ 6,994,047</u> |
| Non-Current Portion | <u>\$ 4,676,444</u> | <u>\$ 312,320</u> | <u>\$ 4,988,764</u> |

Note 9 – Unamortized Loss on Refunding

Summary of changes in unamortized loss on refundings for the year ended June 30, 2019, are as follows:

| | <u>Balance July 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2019</u> |
|--|---------------------------------|----------------------|---------------------|----------------------------------|
| Governmental Funds | | | | |
| 2006 Essential Service Building Refinance | \$ (420,396) | \$ - | \$ 420,396 | \$ - |
| Subtotal Governmental Funds | <u>(420,396)</u> | <u>-</u> | <u>420,396</u> | <u>-</u> |
| Municipal Utility Enterprise Debt Obligations | | | | |
| 2002 Deferred amounts on refunding | (81,288) | - | 81,288 | - |
| 2014 Wastewater Refunding Revenue Bond | (1,905,394) | - | 170,583 | (1,734,810) |
| 2018 Water Refunding | - | 15,188,867 | 427,313 | (14,761,553) |
| Subtotal - Municipal Utility Enterprise Debt | <u>(1,986,682)</u> | <u>15,188,867</u> | <u>679,185</u> | <u>(16,496,364)</u> |
| Total Deferred Amount on Refunding | <u>\$ (2,407,078)</u> | <u>\$ 15,188,867</u> | <u>\$ 1,099,581</u> | <u>\$ (16,496,364)</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Fund Balances

A summary of the City’s fund balance classification as nonspendable, restricted, committed, assigned and unassigned reported in the City’s Governmental Funds balance sheet at June 30, 2019, are as follows:

| | General Fund | HOME Program Loans | Low-Moderate Income Housing City Loans | Capital Improvement | Other Governmental | Total Governmental Funds |
|-------------------------------|-----------------------|--------------------------|--|------------------------|-----------------------|--------------------------------|
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventories | \$ 474,021 | \$ - | \$ - | \$ - | \$ - | \$ 474,021 |
| Prepaid expense | 834,425 | - | - | - | - | 834,425 |
| Advance deposits | 762,357 | - | - | - | - | 762,357 |
| Other nonspendable asset | 1,550,454 | - | - | - | 356,134 | 1,906,588 |
| Total Nonspendable | <u>3,621,257</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>356,134</u> | <u>3,977,391</u> |
| Restricted for: | | | | | | |
| Section 108 Loan | 1,277,452 | - | - | - | - | 1,277,452 |
| Community development | - | - | - | - | 32,506,998 | 32,506,998 |
| Debt service reserve | - | - | - | - | 1,757,154 | 1,757,154 |
| General government | - | - | - | - | 1,876,365 | 1,876,365 |
| Housing | - | - | 3,022,131 | - | 2,998,210 | 6,020,341 |
| Libraries and arts | 2,756,900 | - | - | - | 8,756,755 | 11,513,655 |
| Parks and recreation | - | - | - | - | 22,445,200 | 22,445,200 |
| Public safety | - | - | - | - | 7,379,755 | 7,379,755 |
| Solid waste/recycling | - | - | - | - | 2,249,624 | 2,249,624 |
| Streets, transit & traffic | - | - | - | 25,591,743 | 52,613,408 | 78,205,151 |
| Encumbrances | - | - | - | - | 8,309,913 | 8,309,913 |
| Total Restricted | <u>4,034,352</u> | <u>-</u> | <u>3,022,131</u> | <u>25,591,743</u> | <u>140,893,382</u> | <u>173,541,608</u> |
| Committed for: | | | | | | |
| General government operations | 52,991,401 | - | - | - | - | 52,991,401 |
| Total Committed | <u>52,991,401</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,991,401</u> |
| Assigned for: | | | | | | |
| General government operations | 4,143,686 | - | - | - | - | 4,143,686 |
| Total Assigned | <u>4,143,686</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,143,686</u> |
| Unassigned: | 39,241,157 | - | - | - | - | 39,241,157 |
| Total Fund Balances | <u>\$ 104,031,853</u> | <u>\$ -</u> | <u>\$ 3,022,131</u> | <u>\$ 25,591,743</u> | <u>\$ 141,249,516</u> | <u>\$ 273,895,243</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans

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

Summary:

| | Governmental | Business Type | |
|--|------------------------------|-----------------------------|------------------------------|
| | Activites | Activities | Total 2019 |
| Deferred Outflows of Resources: | | | |
| CalPERS: | | | |
| Safety | | | |
| Contributions made after measurement date | \$ 29,764,706 | \$ - | \$ 29,764,706 |
| Change in assumptions | 30,472,731 | - | 30,472,731 |
| Differences between expected and actual experience | 20,491,547 | - | 20,491,547 |
| Difference between projected and actual investment earnings | 2,239,547 | - | 2,239,547 |
| | <u>82,968,531</u> | <u>-</u> | <u>82,968,531</u> |
| Miscellaneous | | | |
| Contributions made after measurement date | 15,533,099 | 1,555,019 | 17,088,118 |
| Change in assumptions | 8,255,804 | 826,489 | 9,082,293 |
| Differences between expected and actual experience | 1,995,459 | 199,765 | 2,195,224 |
| Difference between projected and actual investment earnings | 1,386,809 | 138,833 | 1,525,642 |
| | <u>27,171,171</u> | <u>2,720,106</u> | <u>29,891,277</u> |
| PARS | | | |
| Change in assumptions | - | 478,980 | 478,980 |
| Difference between projected and actual investment earnings | - | 83,786 | 83,786 |
| | <u>-</u> | <u>562,766</u> | <u>562,766</u> |
| Total Pensions related Deferred Outflows of Resources | <u>\$ 110,139,702</u> | <u>\$ 3,282,872</u> | <u>\$ 113,422,574</u> |
| Aggregate Net Pension Liability: | | | |
| CalPERS: | | | |
| Safety | \$ 362,234,034 | \$ - | \$ 362,234,034 |
| Miscellaneous | 137,229,021 | 13,737,999 | 150,967,020 |
| PARS | - | 3,574,132 | 3,574,132 |
| Total Net Pension Liability | <u>\$ 499,463,055</u> | <u>\$ 17,312,131</u> | <u>\$ 516,775,186</u> |
| Deferred Inflows of Resources: | | | |
| CalPERS: | | | |
| Safety | | | |
| Change in assumptions | \$ 2,934,988 | \$ - | \$ 2,934,988 |
| Differences between expected and actual experience | 5,778,306 | - | 5,778,306 |
| | <u>8,713,294</u> | <u>-</u> | <u>8,713,294</u> |
| Miscellaneous | | | |
| Change in assumptions | 11,272,909 | 1,128,531 | 12,401,440 |
| Differences between expected and actual experience | 3,705,125 | 370,921 | 4,076,046 |
| | <u>14,978,034</u> | <u>1,499,452</u> | <u>16,477,486</u> |
| PARS | | | |
| Differences between expected and actual experience | - | 168,078 | 168,078 |
| | <u>-</u> | <u>168,078</u> | <u>168,078</u> |
| Total Pension Deferred Inflows of Resources | <u>\$ 23,691,328</u> | <u>\$ 1,667,530</u> | <u>\$ 25,358,858</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan

General Information about Pension Plans

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

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

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

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

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

Benefits provided – CalPERS provides service retirement and disability benefits, the annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits for public safety employees are calculated as a percentage of the employee's final 3-year average salary times the employees' years of service. Public safety employees with ten years of continuous service are eligible to retire at age 55. Public safety employees may retire at any age after 20 years of service. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 -Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

General Information about Pension Plans (Continued)

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

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

| | Safety Plan | Miscellaneous Plan |
|--|--------------------|---------------------------|
| Inactive employees or beneficiaries currently receiving benefits | 848 | 1448 |
| Inactive employees entitled to but not yet receiving benefits | 171 | 589 |
| Active employees | 609 | 991 |
| | <u>1628</u> | <u>3028</u> |

Contributions – The City establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2019, the Safety Plan employer contribution rate was 48.816% of wages. The Miscellaneous Plan was 23.859% of wages.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017, applying standard update procedures.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Net Pension Liability (Continued)

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

| | <u>Safety Plan</u> | | <u>Miscellaneous Plan</u> | |
|---------------------------|------------------------------|-----|---------------------------|-----|
| Valuation Date | June 30, 2017 | | June 30, 2017 | |
| Measurement Date | June 30, 2018 | | June 30, 2018 | |
| Actuarial Cost Method | Entry-Age Normal Cost Method | | | |
| Actuarial Assumptions: | | | | |
| Discount Rate | 7.15% | | 7.15% | |
| Inflation | 2.75% | | 2.75% | |
| Payroll Growth | 3.00% | | 3.00% | |
| Projected Salary Increase | Varies | (1) | Varies | (1) |
| Investment Rate of Return | 7.50% | (2) | 7.50% | (2) |
| Mortality | see note | (3) | see note | (3) |

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

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

(3) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using scale BB published by the Society of Actuaries.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. CalPERS has approved a change to the discount rate to 7.0% that will be implemented in 2020.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Net Pension Liability (Continued)

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

| Asset Class | Current Safety/Miscellaneous Plans | | |
|---------------------|------------------------------------|------------------------------|-----------------------------|
| | New Strategic Allocation | Real Return Years 1-10(a) | Real Return Years 11+(b) |
| Global Equity | 48.8% | 5.25% | 5.75% |
| Global Fixed Income | 22.5% | 0.99% | 2.43% |
| Inflation Sensitive | 5.9% | 0.45% | 3.36% |
| Private Equity | 7.7% | 6.83% | 6.95% |
| Real Estate | 10.8% | 4.50% | 5.13% |
| Liquidity | 3.4% | -0.55% | -1.05% |
| Other | 0.9% | 4.50% | 5.09% |
| Total | 100.00% | | |

Changes in the Net Pension Liability

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

| | Safety Plan | | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | \$ 1,045,899,462 | \$ 710,143,115 | \$ 335,756,347 |
| Changes for the year: | | | |
| Service cost | 17,684,602 | - | 17,684,602 |
| Interest on total pension liability | 75,078,142 | - | 75,078,142 |
| Changes of Assumption | (3,852,172) | - | (3,852,172) |
| Differences between expected and actual experience | 26,895,156 | - | 26,895,156 |
| Net plan to plan resource movement | - | (7,168) | 7,168 |
| Contributions-employer | - | 26,124,666 | (26,124,666) |
| Contributions-employee | - | 6,942,272 | (6,942,272) |
| Net investment income | - | 59,476,319 | (59,476,319) |
| Benefit payments, including refunds of employee | (55,481,650) | (55,481,650) | - |
| Administrative expense | - | (1,106,599) | 1,106,599 |
| Other Miscellaneous Income (Expense) | - | (2,101,449) | 2,101,449 |
| Net Changes | 60,324,078 | 33,846,391 | 26,477,687 |
| Balances at June 30, 2018 | \$ 1,106,223,540 | \$ 743,989,506 | \$ 362,234,034 |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Changes in the Net Pension Liability (Continued)

| | Miscellaneous Plan | | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | \$ 711,885,392 | \$ 541,918,440 | \$ 169,966,952 |
| Changes for the year: | | | |
| Service cost | 11,500,131 | - | 11,500,131 |
| Interest on total pension liability | 48,873,856 | - | 48,873,856 |
| Changes of Assumption | (19,696,405) | - | (19,696,405) |
| Differences between expected and actual experience | 3,486,532 | - | 3,486,532 |
| Net plan to plan resource movement | - | 4,111 | (4,111) |
| Contributions-employer | - | 15,252,226 | (15,252,226) |
| Contributions-employee | - | 4,729,377 | (4,729,377) |
| Net investment income | - | 45,626,430 | (45,626,430) |
| Benefit payments, including refunds of employee | (35,750,319) | (35,750,319) | - |
| Administrative expense | - | (844,458) | 844,458 |
| Other Miscellaneous Income (Expense) | - | (1,603,640) | 1,603,640 |
| Net Changes | 8,413,795 | 27,413,727 | (18,999,932) |
| Balances at June 30, 2018 | \$ 720,299,187 | \$ 569,332,167 | \$ 150,967,020 |

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

| Safety Plan | 1% Decrease Rate (6.15%) | Current Discount Rate (7.15%) | 1% Increase Rate (8.15%) |
|-------------------------------|---|--|---|
| Net pension liability | \$ 515,134,226 | \$ 362,234,034 | \$ 237,388,353 |
| Miscellaneous Plan | | | |
| | 1% Decrease Rate (6.15%) | Current Discount Rate (7.15%) | 1% Increase Rate (8.15%) |
| Net pension liability | \$ 243,509,351 | \$ 150,967,020 | \$ 74,171,321 |

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

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

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

| Safety Plan | | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contribution subsequent to measurement date | \$ 29,764,706 | \$ - |
| Changes of assumptions | 30,472,731 | (2,934,988) |
| Differences between expected and actual experience | 20,491,547 | (5,778,306) |
| Net differences between projected and actual earnings on pension plan investments | - | - |
| | 2,239,547 | - |
| Total | \$ 82,968,531 | \$ (8,713,294) |

| Miscellaneous Plan | | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contribution subsequent to measurement date | \$ 17,088,118 | \$ - |
| Changes of assumptions | 9,082,293 | (12,401,441) |
| Differences between expected and actual experience | 2,195,224 | (4,076,045) |
| Net differences between projected and actual earnings on pension plan investments | - | - |
| | 1,525,642 | - |
| Total | \$ 29,891,277 | \$ (16,477,486) |

The \$29,764,706 and \$17,088,118 reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date during the year ended June 30, 2019, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows, and deferred inflows of resources related to pensions will be recognized in future pension expense.

| Safety Plan | |
|--|---|
| Measurement Periods Ended June 30 | Deferred Outflows/(inflows) of Resources |
| 2019 | \$ 26,270,928 |
| 2020 | 19,793,844 |
| 2021 | (733,771) |
| 2022 | (840,470) |
| 2023 | - |
| Thereafter | - |
| | \$ 44,490,531 |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

A. CalPERS Retirement Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

| Miscellaneous Plan | |
|--|---|
| Measurement Periods Ended June 30 | Deferred Outflows/(inflows) of Resources |
| 2019 | \$ 6,159,707 |
| 2020 | (2,620,561) |
| 2021 | (5,700,242) |
| 2022 | (1,513,230) |
| 2023 | - |
| Thereafter | - |
| | \$ (3,674,326) |

B. PARS Enhancement Plan

General Information about Pension Plans

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

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

Employees covered - At June 30, 2019, the following employees were covered by the benefit terms:

| | PARS Enhancement Plan |
|--|------------------------------|
| Inactive employees or beneficiaries currently receiving benefits | 38 |
| Inactive employees entitled to but not yet receiving benefits | 0 |
| Active employees | 45 |
| | 83 |

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

B. PARS Enhancement Plan (Continued)

Net Pension Liability

The City’s net pension liability was measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018, using standard update procedures.

Actuarial assumptions – The total pension liability on June 30, 2019, the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | PARS Enhancement Plan | |
|---------------------------|------------------------------|-----|
| Valuation Date | June 30, 2018 | |
| Measurement Date | June 30, 2019 | |
| Actuarial Cost Method | Entry-Age Normal Cost Method | |
| Actuarial Assumptions: | | |
| Discount Rate | 6.50% | |
| Inflation | 2.50% | |
| Payroll Growth | 2.75% | |
| Projected Salary Increase | 3.40% - 10.50% | (1) |
| Investment Rate of Return | 6.50% | |
| Mortality | see note | (2) |

(1) Depending on years of service.

(2) Pre-retirement: Consistent with Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans. Post-Retirement: Consistent with Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans.

Discount rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

B. PARS Enhancement Plan (Continued)

Net Pension Liability (Continued)

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

| <u>Asset Class</u> | PARS Enhancement Plan | | |
|----------------------------|---------------------------------|--|---|
| | New Strategic Allocation | Long-Term Expected Arithmetic Real Rate of Return | Long-Term Expected Geometric Real Rate of Return |
| Cash | 2.45% | 0.71% | 0.71% |
| Core Fixed Income | 46.23% | 1.83% | 1.73% |
| Broad US Equities | 38.82% | 4.71% | 3.52% |
| Developed Foreign Equities | 5.82% | 6.06% | 4.55% |
| Emerging Market Equities | 4.32% | 8.23% | 5.43% |
| REITs | 2.36% | 5.05% | 3.42% |
| Total | <u>100.00%</u> | | |

Changes in the Net Pension Liability

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

| | PARS Enhancement Plan | | |
|--|--------------------------------|--|------------------------------|
| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at July 1, 2018 | <u>\$ 10,948,667</u> | <u>\$ 7,459,935</u> | <u>\$ 3,488,732</u> |
| Changes for the year: | | | |
| Service cost | 151,504 | - | 151,504 |
| Interest on total pension liability | 706,545 | - | 706,545 |
| Effect of economic/demographic gains or losses | (156,665) | - | (156,665) |
| Effect of assumptions changes or inputs | 605,028 | - | 605,028 |
| Benefit payments | (467,860) | (467,860) | - |
| Employer Contributions | - | 753,296 | (753,296) |
| Net investment income | - | 482,222 | (482,222) |
| Administrative expense | - | (14,506) | 14,506 |
| Other changes | - | - | - |
| Net Changes | <u>838,552</u> | <u>753,152</u> | <u>85,400</u> |
| Balances at June 30, 2019 | <u>\$ 11,787,219</u> | <u>\$ 8,213,087</u> | <u>\$ 3,574,132</u> |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

B. PARS Enhancement Plan (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 6.50 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

| PARS Enhancement Plan | 1% Decrease Rate (5.50%) | Current Discount Rate (6.50%) | 1% Increase Rate (7.50%) |
|------------------------------|---|--|---|
| Net pension liability | <u>\$ 5,056,182</u> | <u>\$ 3,574,132</u> | <u>\$ 2,329,087</u> |

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

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

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Pension contribution subsequent to measurement date | \$ - | \$ - |
| Changes of assumptions | 478,980 | - |
| Differences between expected and actual experience | - | (168,078) |
| Net differences between projected and actual earnings on pension plan investments | 83,786 | - |
| Total | \$ 562,766 | \$ (168,078) |

For the year ended June 30, 2019, \$562,766 was reported as deferred outflows of resources related to earnings and changes of assumptions on pension plan investments, and \$168,078 was reported as deferred inflows related to experience, expected and actual experience and will be recognized in future pension expense as follows:

| PARS Enhancement Plan | |
|--|---|
| Measurement Periods Ended June 30 | Deferred Outflows/(inflows) of Resources |
| 2020 | \$ 135,843 |
| 2021 | 57,750 |
| 2022 | 116,508 |
| 2023 | 84,587 |
| 2024 | - |
| Thereafter | - |
| | \$ 394,688 |

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Retirement Plans (Continued)

C. Retirement Benefits Fund (Section 115 Trust)

The Retirement Fund is used to make contributions to the California Public Employees' Retirement System (CalPERS) for the City's defined benefit programs. Also accounted for in the Retirement Fund are monies in the form of an IRS approved Section 115 Plan, set aside to pay for future payment increases announced by CalPERS. At the end of FY 2018-19, the Section 115 Plan, has \$30.6 million available to fund the annual liability payments. The Trust is monitored by the Administrative Services and Human Resources Departments.

Note 12 – Claims Payable

The City is exposed to various risks of loss related to liability torts; theft of, damage to, and destruction of assets; errors and omissions; health and medical needs of employees; and natural disasters. The City established three internal service insurance funds (General Liability, Workers' Compensation, and Employee Health Insurance funds) to account for and finance its self-insured risks of loss. Under the City's risk management program, the City retains risk for each general liability claim, for each workers' compensation claim (described under Risk Pools), and for each medical plan member under the health benefits program. The City purchases stop-loss coverage for the health benefits program over its \$350,000 self-insured retention (SIR) from Union Labor Life Insurance Company up to a maximum of \$1,000,000 per Original Plan member and \$2,000,000 per Modified Plan member. The City's coverage for SIR excess claims for general liability and workers' compensation is discussed later in this note under risk pools. The workers' compensation and health benefits programs are administered by third-party claims administrators. The general liability program is self-administered by the City.

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

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

Independent actuaries perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based on experience, modified for current trends and information. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is recognized at a 70% confidence level, using a 2% discount rate to reflect future investment earnings. While the ultimate amounts of losses incurred through June 30, 2019 are dependent on future developments, based on information provided by the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to recognize such losses. There have been no significant reductions in any of the City's insurance coverage each of the past three years.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Claims Payable (Continued)

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

| | <u>General Liability</u> | <u>Workers’ Compensation</u> | <u>Health Benefits</u> | <u>Total</u> |
|------------------------|------------------------------|----------------------------------|----------------------------|----------------------|
| Balance, June 30, 2017 | \$ 12,879,378 | \$ 49,122,000 | \$ 404,000 | \$ 62,405,378 |
| Claims incurred | 4,559,086 | 4,728,669 | 4,136,373 | 13,424,128 |
| Claims adjustment | | | | - |
| Claims paid | <u>(1,180,409)</u> | <u>(5,532,669)</u> | <u>(4,078,373)</u> | <u>(10,791,451)</u> |
| Balance, June 30, 2018 | 16,258,055 | 48,318,000 | 462,000 | 65,038,055 |
| Claims incurred | 1,970,629 | 6,619,357 | 4,340,958 | 12,930,944 |
| Claims paid | <u>(1,119,232)</u> | <u>(7,530,357)</u> | <u>(4,296,186)</u> | <u>(12,945,775)</u> |
| Balance, June 30, 2019 | <u>\$ 17,109,452</u> | <u>\$ 47,407,000</u> | <u>\$ 506,772</u> | <u>\$ 65,023,224</u> |

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

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

The CJPRMA governing board is comprised of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Members are assessed annual contributions based on actuarially determined rates. CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for CJPRMA for the fiscal year ended June 30, 2019, can be obtained from CJPRMA at 3201 Doolan Road, Suite #285, Livermore, California 94551.

Property Protection - The City participates in CJPRMA’s All Risks Property Protection Program, which is primarily underwritten by a casualty insurance company. The Program provides \$400 million per occurrence in coverage to participating members, subject to a deductible of \$100,000. Premiums, which are negotiated each year, are based on property values and are not subject to retroactive adjustments.

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 13 – Pollution Remediation Obligations

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

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

The former Agency, now Successor Agency, has identified the UNOCAL site along the Stockton channel that are designated “Brownfields” by the U.S. Environmental Protection Agency, with the goal of revitalizing contaminated properties that the Successor Agency currently owns in the area near Stockton's downtown waterfront in the Waterfront Redevelopment Project Area. The following are details of the Successor Agency-owned contaminated site, including a description of the pollution, the obligating event requiring remediation action, estimable remediation costs components, and recoveries by responsible parties. Details of the liabilities as of June 30, 2019, are also discussed.

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

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

Area 2A-Unocal – Soil and groundwater contamination has been identified in Area 2A-Unocal associated with total petroleum hydrocarbons, volatile and semi-volatile organic compounds. The obligating event for this site stems from a Polanco agreement notice issued to the responsible party, currently in negotiation for settlement. Estimated costs are for a consultant, legal and City personnel costs for cleanup of the soil contamination, and pre-cleanup and investigative study of the site about the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs cannot be reasonably estimated. The net pollution remediation liability of this site as of June 30, 2019, is \$431,250, which includes an estimated recovery of costs by the responsible party.

The total net estimated net pollution remediation liability for the site in the amount of \$275,000, is reported to the Successor Agency as of June 30, 2019.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 14 – Individual Fund Disclosures

Deficit Fund Balances

At June 30, 2019, the following funds had net positions or fund balance deficits:

| <u>Fund</u> | <u>Fund Type</u> | <u>Deficit</u> |
|-------------------|-----------------------|-----------------|
| General Insurance | Internal Service Fund | \$ (1,046,532) |
| Successor Agency | Agency Fund | \$ (68,954,045) |
| Parking Authority | Proprietary Fund | \$ (5,533,836) |

- The General Insurance Fund has an accumulated deficit fund balance of \$1,046,532 as of June 30, 2019. Contributions to cover claims expenditures are based on a percentage of payroll dependent upon City-wide loss experience. The amounts charged to departments have not seen a rate hike in three years, while settlement and premium costs have been increasing. As a result, contributions have been insufficient to cover the outstanding estimated future claims. The City will continue to use actuaries to assist in analyzing claim data and projecting claim costs. The City will also increase rates charged to departments for FY19-20 by 15 percent.
- The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund has an accumulated deficit fund balance of \$68,954,045 as of June 30, 2019. This is a Fiduciary Private-Purpose Trust Fund and not included in the City’s net position. The fund has a bonds payable balance that causes a liability.
- The Parking Authority Fund has an accumulated deficit fund balance of \$5,533,836 as of June 30, 2019. This is due to an interfund loan borrowing from the Worker’s Compensation Fund for \$8,915,000. It is in relation to the payoff of the 2006 Series A ESB bonds previously held in the City’s Debt Service Fund. The loan terms are set at 2%, biannual payments with anticipated payoff date of February 1, 2032.

Note 15 – Commitments and Contingencies

Contingent Liability – Pending Litigation

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

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 15 – Commitments and Contingencies (Continued)

Capital Commitments

The City is undertaking some capital improvement projects, the most significant of which include the following outstanding capital commitments at June 30, 2019:

| | Amount |
|--------------------------------------|---------------|
| Regional Wastewater Control Facility | \$ 6,026,561 |
| Developer Reimbursements | 5,598,041 |
| Alexandria Place Sewer Rehab | 4,745,110 |
| Thornton Road Widening | 1,413,352 |
| March Lane Adaptive TCS | 1,364,777 |
| Della Street Line Rehab | 1,310,329 |
| | \$ 20,458,170 |

Operating Leases

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

| Year Ended June 30 | Amount |
|-----------------------|--------------|
| 2020 | \$ 356,170 |
| 2021 | 373,978 |
| 2022 | 392,677 |
| 2023 | 343,938 |
| 2024 | 145,762 |
| 2025-2029 | 845,697 |
| 2030-2034 | 1,079,342 |
| Total | \$ 3,537,565 |

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 15 – Commitments and Contingencies (Continued)

Encumbrances

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

GASB Statement No. 54 provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the governmental funds are classified as either committed, restricted or assigned and are included in the respective classification. Outstanding encumbrances at June 30, 2019, are as follows:

| | <u>Amount</u> |
|--------------------------|----------------------|
| General Fund | <u>\$ 6,343,589</u> |
| Capital Improvements | <u>\$ 4,799,092</u> |
| Other Governmental Funds | <u>\$ 14,382,137</u> |

Facilities Management Agreement

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

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

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

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

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

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

City of Stockton
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 16 – Restricted Net Position

At June 30, 2019, restricted net position consisted of the following:

| | <u>Governmental Activities</u> | <u>Business - Type Activities</u> | <u>Totals</u> |
|------------------------------|------------------------------------|---|-----------------------|
| Restricted: | | | |
| Capital projects | \$ 25,591,743 | \$ 25,580,241 | \$ 51,171,984 |
| Debt service | 1,757,154 | 2,831,183 | 4,588,337 |
| Section 108 loan | 1,277,452 | - | 1,277,452 |
| Community Development | 32,506,998 | - | 32,506,998 |
| General government | 1,876,365 | - | 1,876,365 |
| Housing | 6,020,341 | - | 6,020,341 |
| Library and arts | 11,513,655 | - | 11,513,655 |
| Parks and recreation | 22,445,200 | - | 22,445,200 |
| Public safety | 7,379,755 | - | 7,379,755 |
| Solid waste/recycling | 2,249,624 | - | 2,249,624 |
| Streets, transit and traffic | 52,613,408 | - | 52,613,408 |
| Encumbrances | 8,309,913 | - | 8,309,913 |
| Pension | 30,453,256 | - | 30,453,256 |
| Total restricted | <u>\$ 203,994,864</u> | <u>\$ 28,411,424</u> | <u>\$ 232,406,288</u> |

Note 17 – Subsequent Events

Issuance of Debt in Districts that have no commitment from City resources

Cannery Park CFD 2005-1

On July 10, 2019 the City of Stockton issued Special Tax Bonds, Series 2019 at a par amount of \$9,855,000. The final payoff of the debt is September 1, 2041. Payment of the bonds are solely derived from special taxes on residential properties in the district and city funds are not pledged toward repayment of the bonds.

Westlake Villages CFD 2006-2

On August 13, 2019 the City of Stockton issued \$3,134,000 in bonded debt through Municipal Finance Corporation, acting as representative for City National Bank. Payment of the bonds are solely derived from special taxes on residential properties in the district and city funds are not pledged toward repayment of the bonds.

Issuance of Debt with net revenue commitment from Wastewater Utility

2019 BAN issued by Wastewater Fund for RWCF upgrade project

On October 22, 2019 the Stockton Public Financing Authority issued Bond Anticipation Notes (BAN's) in a par amount of \$118,510,000. The notes were issued to provide interim financing for the first phase of the sewer plant improvement project that is needed to comply with government requirements. The total cost of this project is estimated to cost \$483 million. Payment on the debt are solely derived from the net revenues of the Wastewater system which have been pledged toward repayment of the bonds.

City of Stockton
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 17 – Subsequent Events (Continued)

Lease of Swenson Park Golf Course to KSM Swenson, LLC

In August 2019, City Council authorized the execution of a contract to KSM Swenson, LLC for the lease of Swenson Golf Course beginning January 1, 2020 and approving findings pursuant to Stockton Municipal Code 3.67.070 adopting findings in support of an exception to the competitive bidding process.

Closure of Van Buskirk Golf Course

In August 2019, City Council authorized the execution of a Second Amendment to the Management Agreement and Transition Plan with KemperSports Management (C-11-202NP), approving the closure of Van Buskirk Golf Course, appropriating \$350,000 from the General Fund reserve to KSM for café improvements and critical repairs, and authorizing the City Manager to take all actions related to Golf Cart disposition.

Change in Stockton Arena's management firm

In October 2019, SMG, which manages Stockton's five City-owned public venues, has merged with AEG Facilities to create a mega-company called ASM Global, a new, standalone global facility management and venue services company. Stockton Arena, Stockton Ballpark, the Bob Hope Theatre, Oak Park Ice Rink and the Stockton Downtown Marina now are part of ASM Global's portfolio of 310 properties in five continents and 14 countries that includes Manchester Arena in the United Kingdom and Chicago's Soldier Field, as well as numerous convention centers and performing arts venues in North and South America, Asia, the Middle East and Europe.

Note 18 – Interfund Loan Transaction Adjustment

Non-cash adjustment needed to unwind an interfund loan dating back to FY 2008-09

Originally, a \$500,000 loan for startup operations at the Downtown Marina was authorized by City Council from the Redevelopment Agency's Waterfront Project Area to the Marina Fund. In 2011, Stockton City Council Resolution #11-0250 authorized the transfer of the loan obligation from the Marina to the Workers Compensation Fund to offset a portion of another short-term loan that the Workers Compensation Fund extended to the Waterfront Project Area. However, when the Waterfront Project Area repaid the cash to the Workers Compensation Fund, the amount repaid was not reduced by the transferred loan.

Since no actual cash was received to fund operations or repay loan obligations in both the Workers Compensation Fund and the Redevelopment Agency's Waterfront Project Fund, the receivable (Waterfront) and payable (Workers Comp) should be eliminated with a non-cash transfer. The correcting transactions will increase the Workers Compensation Fund (551) balance by \$500,000 and decrease the RDA Successor Agency Fund (633) balance by \$500,000





CITY OF STOCKTON



REQUIRED SUPPLEMENTARY INFORMATION

City of Stockton
Required Supplementary Information
(Unaudited) For the year ended June 30, 2019

1. Budgetary Information

Budget Process

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

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

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

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

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

City of Stockton
Required Supplementary Information
(Unaudited) For the year ended June 30, 2019

1. Budgetary Information (Continued)

Budget Basis of Accounting

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

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

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

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

The write-off uncollectable accounts receivables is not recognized as an expenditure. Under GAAP, these write-offs are recognized as expenditures when the accounts receivables are determined to be uncollectable.

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

City of Stockton
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

Budgetary Comparison Schedule - General Fund

| | Budget | | Actual | Variance with Final Budget |
|-------------------------------------|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property | \$ 34,299,127 | \$ 34,299,127 | \$ 35,342,086 | \$ 1,042,959 |
| Utility user | 35,227,000 | 35,227,000 | 34,252,388 | (974,612) |
| Sales - levied by City | 31,458,459 | 31,458,459 | 34,570,561 | 3,112,102 |
| Franchise fees | 13,236,706 | 13,236,706 | 12,306,552 | (930,154) |
| Business license | 11,427,900 | 11,427,900 | 11,557,599 | 129,699 |
| Hotel/motel room | 3,242,000 | 3,242,000 | 3,376,631 | 134,631 |
| Document transfer | 933,000 | 933,000 | 1,071,041 | 138,041 |
| Other | 2,323,975 | 2,323,975 | 2,891,643 | 567,668 |
| Licenses and permits | 491,543 | 491,543 | 437,234 | (54,309) |
| Intergovernmental: | | | | |
| Federal grants and subsidies | - | 346,487 | 346,606 | 119 |
| Sales and use tax - levied by state | 48,369,516 | 48,369,516 | 51,577,258 | 3,207,742 |
| Other governmental | 30,293,180 | 30,475,313 | 30,986,123 | 510,810 |
| Charges for services | 9,813,274 | 9,813,274 | 9,835,754 | 22,480 |
| Fines and forfeitures | 888,510 | 888,510 | 1,193,909 | 305,399 |
| Use of money and property | 9,618,986 | 9,794,549 | 9,679,037 | (115,512) |
| Investment income: | | | | |
| Interest income | 1,928,789 | 1,928,789 | 6,883,774 | 4,954,985 |
| Refunds and reimbursements | 4,984,083 | 6,142,245 | 6,233,667 | 91,422 |
| Miscellaneous | 5,345,816 | 5,355,128 | 5,394,746 | 39,618 |
| | <u>243,881,864</u> | <u>245,753,521</u> | <u>257,936,609</u> | <u>12,183,088</u> |
| EXPENDITURES: | | | | |
| General government: | | | | |
| City council | 748,996 | 971,278 | 823,247 | 148,031 |
| City manager | 1,518,264 | 1,484,619 | 1,441,583 | 43,036 |
| City attorney | 1,560,395 | 1,446,319 | 1,268,870 | 177,449 |
| City clerk | 943,406 | 839,946 | 715,729 | 124,217 |
| City auditor | 613,787 | 930,222 | 517,807 | 412,415 |
| Administrative services | 5,439,244 | 5,536,921 | 5,166,264 | 370,657 |
| Human resources | 2,344,398 | 2,430,933 | 1,974,197 | 456,736 |
| Housing | 1,486,994 | 3,505,781 | 1,139,887 | 2,365,894 |
| Non-departmental | 5,404,316 | 8,639,867 | 5,924,959 | 2,714,908 |
| Total general government | <u>20,059,800</u> | <u>25,785,886</u> | <u>18,972,543</u> | <u>6,813,343</u> |

City of Stockton
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

Budgetary Comparison Schedule - General Fund (continued)

| | Budget | | Actual | Variance with Final Budget |
|---|---------------------|------------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Public safety: | | | | |
| Police | 125,009,524 | 126,802,858 | 126,205,086 | 597,772 |
| Fire | 47,175,878 | 49,083,106 | 47,833,478 | 1,249,628 |
| Total public safety | <u>172,185,402</u> | <u>175,885,964</u> | <u>174,038,564</u> | <u>1,847,400</u> |
| Public works | 7,384,794 | 7,836,064 | 7,491,299 | 344,765 |
| Library | 11,853,508 | 11,912,864 | 11,312,137 | 600,727 |
| Parks and recreation | 19,421,999 | 20,021,127 | 19,674,316 | 346,811 |
| Capital Outlay | 963,149 | 3,110,845 | 671,292 | 2,439,553 |
| Total expenditures | <u>231,868,652</u> | <u>244,552,750</u> | <u>232,160,151</u> | <u>12,392,599</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS) (a) | <u>12,013,212</u> | <u>1,200,771</u> | <u>25,776,458</u> | <u>24,575,687</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of capital assets | 375,000 | 375,000 | 51,910 | (323,090) |
| Special item (Note 18) | - | - | - | - |
| Transfers in | 12,685,628 | 13,740,466 | 13,592,743 | (147,723) |
| Transfers out | <u>(17,748,610)</u> | <u>(26,199,700)</u> | <u>(25,870,884)</u> | <u>328,816</u> |
| Total other financing sources (uses) | <u>(4,687,982)</u> | <u>(12,084,234)</u> | <u>(12,226,231)</u> | <u>(141,997)</u> |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | <u>\$ 7,325,230</u> | <u>\$ (10,883,463)</u> | 13,550,227 | <u>\$ 24,433,690</u> |
| BASIS ADJUSTMENT: | | | | |
| Encumbrances (included in Final Budget above) (a)* | | | <u>(6,343,589)</u> | |
| NET CHANGE IN FUND BALANCE (BUDGETARY BASIS) | | | 7,206,638 | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>90,481,626</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 97,688,264</u> | |

* Adjusted to Budgetary Basis.

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

City of Stockton
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

Budgetary Comparison Schedule - HOME Program Loans Special Revenue Fund

| | Budget | | Actual | Variance with Final Budget |
|---|------------------|---------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental: | \$ 1,190,818 | \$ 3,990,543 | \$ 822,084 | \$ (3,168,459) |
| Use of money and property | 200,000 | 200,000 | 500,163 | 300,163 |
| Total revenues | <u>1,390,818</u> | <u>4,190,543</u> | <u>1,322,247</u> | <u>(2,868,296)</u> |
| EXPENDITURES: | | | | |
| Capital outlay | 1,390,818 | 4,598,209 | 2,071,881 | 2,526,328 |
| Total expenditures | <u>1,390,818</u> | <u>4,598,209</u> | <u>2,071,881</u> | <u>2,526,328</u> |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | <u>\$ -</u> | <u>\$ (407,666)</u> | (749,634) | <u>\$ (5,394,624)</u> |
| BASIS ADJUSTMENT: | | | | |
| Encumbrances | | | <u>-</u> | |
| NET CHANGE IN FUND BALANCE (BUDGETARY BASIS) | | | (749,634) | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>749,634</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ -</u> | |

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

City of Stockton
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

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

| | Budget | | Actual | Variance with Final Budget |
|---|-----------------------|-----------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 46,000 | \$ 46,000 | \$ 36,543 | \$ (9,457) |
| Interest income | - | - | 76,382 | 76,382 |
| Miscellaneous | - | - | 760 | 760 |
| Total revenues | <u>46,000</u> | <u>46,000</u> | <u>113,685</u> | <u>67,685</u> |
| EXPENDITURES: | | | | |
| Capital outlay | 3,427,242 | 3,427,242 | 1,363,670 | 2,063,572 |
| Total expenditures | <u>3,427,242</u> | <u>3,427,242</u> | <u>1,363,670</u> | <u>2,063,572</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS) | <u>(3,381,242)</u> | <u>(3,381,242)</u> | <u>(1,249,985)</u> | <u>2,131,257</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 1,012,454 | 1,012,454 | 1,012,453 | (1) |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>1,012,454</u> | <u>1,012,454</u> | <u>1,012,453</u> | <u>(1)</u> |
| NET CHANGE IN FUND BALANCE (GAAP BASIS) | <u>\$ (2,368,788)</u> | <u>\$ (2,368,788)</u> | <u>(237,532)</u> | <u>\$ 2,131,256</u> |
| BASIS ADJUSTMENT: | | | | |
| Encumbrances | | | <u>-</u> | |
| NET CHANGE IN FUND BALANCE (BUDGETARY BASIS) | | | (237,532) | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>3,259,663</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 3,022,131</u> | |

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

City of Stockton
Required Supplementary Information
For the Year Ended June 30, 2019

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

| CalPERS Safety Plan | Measurement Date | | |
|---|-------------------------|-------------------------|------------------------|
| | 2018 | 2017 | 2016 |
| Total pension liability | | | |
| Service cost | \$ 17,684,602 | \$ 15,401,471 | \$ 13,548,998 |
| Interest | 75,078,142 | 71,053,021 | 69,765,169 |
| Changes of benefit terms | - | - | - |
| Changes of assumptions | (3,852,172) | 59,494,381 | - |
| Differences between expected and actual experience | 26,895,156 | (9,538,805) | (3,570,311) |
| Benefit payments, including refunds of employee contributions | (55,481,650) | (53,205,686) | (51,615,173) |
| Net change in total pension liability | <u>60,324,078</u> | <u>83,204,382</u> | <u>28,128,683</u> |
| Total pension liability - beginning | 1,045,899,462 | 962,695,080 | 934,566,397 |
| Total pension liability - ending (a) | <u>\$ 1,106,223,540</u> | <u>\$ 1,045,899,462</u> | <u>\$ 962,695,080</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | 26,124,666 | 23,342,334 | 20,338,253 |
| Contributions - employee | 6,942,272 | 6,617,527 | 5,940,342 |
| Net investment income | 59,476,319 | 73,783,913 | 3,348,803 |
| Benefit payments, including refunds of employee contributions | (55,481,650) | (53,205,686) | (51,615,173) |
| Plan to plan resource movement | (7,168) | - | - |
| Administrative expense | (1,106,599) | (975,302) | (416,243) |
| Other | (2,101,449) | - | - |
| Net change in plan fiduciary net position | <u>\$ 33,846,391</u> | <u>\$ 49,562,786</u> | <u>\$ (22,404,018)</u> |
| Plan fiduciary net position - beginning | 710,143,115 | 660,580,329 | 682,984,347 |
| Plan fiduciary net position - ending (b) | <u>\$ 743,989,506</u> | <u>\$ 710,143,115</u> | <u>\$ 660,580,329</u> |
| City's net pension liability - ending (a) - (b) | <u>\$ 362,234,034</u> | <u>\$ 335,756,347</u> | <u>\$ 302,114,751</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 67.25% | 67.90% | 68.62% |
| Covered - employee payroll | \$ 56,947,904 | \$ 48,429,252 | \$ 47,115,477 |
| City's net pension liability as a percentage of covered employee payroll | 636.08% | 693.29% | 641.22% |

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. In 2018, there were no changes to the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes.

City of Stockton
Required Supplementary Information
For the Year Ended June 30, 2019

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

| CalPERS Miscellaneous Plan | Measurement Date | | |
|---|-----------------------|-----------------------|------------------------|
| | 2018 | 2017 | 2016 |
| Total pension liability | | | |
| Service cost | \$ 11,500,131 | \$ 10,871,947 | \$ 9,240,648 |
| Interest | 48,873,856 | 48,291,460 | 48,179,529 |
| Changes of benefit terms | - | - | - |
| Changes of assumptions | (19,696,405) | 39,356,599 | - |
| Differences between expected and actual experience | 3,486,532 | (17,662,863) | (8,961,502) |
| Benefit payments, including refunds of employee contributions | (35,750,319) | (34,494,172) | (34,150,397) |
| Net change in total pension liability | \$ 8,413,795 | \$ 46,362,971 | \$ 14,308,278 |
| Total pension liability - beginning | 711,885,392 | 665,522,421 | 651,214,143 |
| Total pension liability - ending (a) | \$ 720,299,187 | \$ 711,885,392 | \$ 665,522,421 |
| Plan fiduciary net position | | | |
| Contributions - employer | 15,252,226 | 13,189,681 | 13,879,482 |
| Contributions - employee | 4,729,377 | 4,386,770 | 3,971,944 |
| Net investment income | 45,626,430 | 56,250,959 | 2,491,249 |
| Benefit payments, including refunds of employee contributions | (35,750,319) | (34,494,172) | (34,150,397) |
| Plan to plan resource movement | 4,111 | - | 933 |
| Administrative expense | (844,458) | (743,130) | (315,359) |
| Other | (1,603,640) | - | - |
| Net change in plan fiduciary net position | 27,413,727 | \$ 38,590,108 | \$ (14,122,148) |
| Plan fiduciary net position - beginning | 541,918,440 | 503,328,332 | 517,450,480 |
| Plan fiduciary net position - ending (b) | 569,332,167 | 541,918,440 | 503,328,332 |
| City's net pension liability - ending (a) - (b) | \$ 150,967,020 | \$ 169,966,952 | \$ 162,194,089 |
| Plan fiduciary net position as a percentage of the total pension liability | 79.04% | 76.12% | 75.63% |
| Covered - employee payroll | 67,079,626 | \$ 61,357,565 | \$ 56,400,439 |
| City's net pension liability as a percentage of covered employee payroll | 225.06% | 277.01% | 287.58% |

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Additional Service Credit (a.k.a. Golden Handshakes)

Changes of assumptions. In 2018, there were no changes to the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes.

City of Stockton
Required Supplementary Information
For the Year Ended June 30, 2019

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

| PARS Enhancement Plan | Measurement Date | | |
|---|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 |
| Total pension liability | | | |
| Service cost | \$ 151,504 | \$ 138,078 | \$ 134,056 |
| Interest | 706,545 | 730,559 | 701,117 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Demographic gains/losses | (156,665) | - | (110,133) |
| Changes of assumptions | 605,028 | - | - |
| Benefit payments, including refunds of employee contributions | (467,860) | (429,654) | (407,870) |
| Net change in total pension liability | 838,552 | 438,983 | 317,170 |
| Total pension liability - beginning | 10,948,667 | 10,509,684 | 10,192,514 |
| Total pension liability - ending (a) | <u>11,787,219</u> | <u>\$ 10,948,667</u> | <u>\$ 10,509,684</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 753,296 | \$ 941,620 | \$ 528,894 |
| Contributions - employee | - | - | - |
| Net investment income | 482,222 | 409,596 | 596,724 |
| Benefit payments, including refunds of employee contributions | (467,860) | (429,654) | (407,870) |
| Administrative expense | (14,506) | (13,992) | (13,097) |
| Other | - | - | - |
| Net change in plan fiduciary net position | 753,152 | \$ 907,570 | \$ 704,651 |
| Plan fiduciary net position - beginning | 7,459,935 | 6,552,365 | 5,847,714 |
| Plan fiduciary net position - ending (b) | <u>\$ 8,213,087</u> | <u>7,459,935</u> | <u>6,552,365</u> |
| City's net pension liability - ending (a) - (b) | <u>\$ 3,574,132</u> | <u>\$ 3,488,732</u> | <u>\$ 3,957,319</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 69.68% | 68.14% | 62.35% |
| Covered - employee payroll | \$ 3,446,204 | \$ 3,427,436 | \$ 3,327,608 |
| City's net pension liability as a percentage of covered employee payroll | 103.71% | 101.79% | 118.92% |

City of Stockton
Required Supplementary Information
For the Year Ended June 30, 2019

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

| CalPERS Safety Plan | Fiscal Year | | | |
|---|---------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 | 2015 |
| Actuarially determined contribution | \$ 26,124,666 | \$ 23,342,334 | \$ 20,338,253 | \$ 17,178,961 |
| Contributions in relation to the actuarial contribution | (26,124,666) | (23,342,334) | (20,338,253) | (17,178,961) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - employee payroll | 56,947,904 | \$ 48,429,252 | \$ 47,115,477 | \$ 46,710,538 |
| City's Contributions as a percentage of covered employee payroll | 45.87% | 48.20% | 43.17% | 36.78% |

SAFTEY PLAN:

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|--|
| Actuarial cost method | Entry Age Normal. |
| Amortization method/Period | For details, see June 30, 2015 Funding Valuation Report. |
| Asset valuation method | Market Value of Assets. Varies, see June 30, 2015. Funding Valuation Report. |
| Inflation | 2.75% |
| Salary increases | Varies by entry age and service. |
| Payroll Growth | 3.00% |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expense, including inflation. |
| Retirement age | The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. |

City of Stockton
Required Supplementary Information
For the Year Ended June 30, 2019

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

| CalPERS Miscellaneous Plan | Fiscal Year | | | |
|---|----------------------|----------------------|-----------------------|----------------------|
| | 2018 | 2017 | 2016 | 2015 |
| Actuarially determined contribution | \$ 15,252,226 | \$ 13,189,681 | \$ 12,545,482 | \$ 10,783,518 |
| Contributions in relation to the actuarial contribution | (15,252,226) | (13,189,681) | (13,879,482) | (10,783,518) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,334,000)</u> | <u>\$ -</u> |
| Covered - employee payroll | \$ 67,079,626 | \$ 61,357,565 | \$ 56,400,439 | \$ 53,997,677 |
| City's Contributions as a percentage of covered employee payroll | 22.74% | 21.50% | 24.61% | 19.97% |

MISCELLANEOUS PLAN:

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------|--|
| Actuarial cost method | Entry Age Normal. |
| Amortization Method/Period | Varies, see June 30, 2015 Funding Valuation Report. |
| Asset valuation method | Market Value of Assets. Varies, see June 30, 2015 Funding Valuation Report. |
| Inflation | 2.75% |
| Salary increases | Varies by entry age and service. |
| Payroll Growth | 3.00% |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expense, including inflation. |
| Retirement age | The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2001. |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. |

City of Stockton
Required Supplementary Information
For the Year Ended June 30, 2019

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

| PARS Enhancement Plan | Fiscal Year | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 | 2016 |
| Actuarially determined contribution | \$ 753,296 | \$ 753,296 | \$ 705,192 | \$ 705,192 |
| Contributions in relation to the actuarial contribution | - | - | - | - |
| | <u>(753,296)</u> | <u>(941,620)</u> | <u>(528,894)</u> | <u>(705,192)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (188,324)</u> | <u>\$ 176,298</u> | <u>\$ -</u> |
| Covered - employee payroll | \$ 3,446,204 | \$ 3,427,436 | \$ 3,327,608 | \$ 3,454,139 |
| City's Contributions as a percentage of covered employee payroll | 21.86% | 27.47% | 15.89% | 20.42% |

ENHANCEMENT PLAN:

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age Normal. |
| Amortization method | Level dollar, closed. |
| Remaining amortization period | 9.67 years |
| Asset valuation method | None |
| Inflation | 2.50% |
| Salary increases | Varies by entry age and service. |
| Investment rate of return | 6.50% |
| Retirement age | Consistent with those used to value the Miscellaneous CalPERS Pension Plans 2.7% at age 55. The rates used are those for retirees with 20 years of service, with an increased retirement rate of 20% at age 55. |
| Mortality | Pre-retirement: Consistent with Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans. Post-Retirement: Consistent with Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans. |



CITY OF STOCKTON



NONMAJOR GOVERNMENTAL FUNDS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The City's non-major Governmental Special Revenue Funds include:

Special Grants Fund

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

Solid Waste and Recycling Fund

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

Gas Tax Fund

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

Measure K streets Sales Tax Fund

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

Measure M Strong Communities Initiative

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

Measure W Public Safety Tax Fund

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

Special Assessment Fund

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

Community Development Block Grant Programs Fund

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

Neighborhood Stabilization Loan Program Fund

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



NON-MAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

Housing Grants and Loans Program Fund

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

Development Services Fund

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

Cal-Home Programs Fund

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

Other Special Revenue Fund

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

Transportation Development Act Fund

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

CAPITAL PROJECT FUNDS

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

The City's non-major Governmental Capital Project Funds include:

Public Facilities Impact Fees Capital Projects Fund

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

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

DEBT SERVICE FUNDS

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

The City's non-major Governmental Debt Service Funds include:

Stockton Public Financing Authority Debt Service Fund

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

PERMANENT FUND

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

City of Stockton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

| | Special Revenue | | | | |
|---|---------------------|-------------------------------|---------------------|-----------------------------------|------------------------------------|
| | Special Grants | Solid Waste & Recycling | Gas Tax | Measure K Streets Sales Tax | Measure M Strong Communities |
| ASSETS | | | | | |
| Assets: | | | | | |
| Cash and investments | \$ 2,336,803 | \$ 2,240,754 | \$ 5,505,931 | \$ 10,826,287 | \$ 14,562,446 |
| Cash and investments with fiscal agents | - | - | 21,940 | - | 525 |
| Receivables, net: | | | | | |
| Interest | - | 9,954 | 24,458 | 48,810 | 63,532 |
| Accounts and other | 184,322 | 69,080 | - | - | - |
| Advance deposits | - | - | - | - | - |
| Due from other governments, net | 1,749,188 | - | 1,607,246 | 6,560,451 | 1,964,140 |
| Loans to property owners, net | - | - | - | - | - |
| Total assets | \$ 4,270,313 | \$ 2,319,788 | \$ 7,159,575 | \$ 17,435,548 | \$ 16,590,643 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 367,541 | \$ 38,504 | \$ 638,224 | \$ 1,192,146 | \$ 663,300 |
| Accrued payroll | 73,472 | 27,745 | 115,178 | 27,155 | 171,927 |
| Due to other funds | - | - | - | - | - |
| Due to other governments | - | - | - | - | - |
| Deposits and other liabilities | - | 3,915 | - | - | - |
| Unearned revenue | 2,424,799 | - | - | - | - |
| Total liabilities | 2,865,812 | 70,164 | 753,402 | 1,219,301 | 835,227 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - Loans to property owners | - | - | - | - | - |
| Unavailable revenue - Other | - | - | - | 2,314,836 | - |
| Total deferred inflows of resource | - | - | - | 2,314,836 | - |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 1,404,501 | 2,249,624 | 6,406,173 | 13,901,411 | 15,755,416 |
| Total fund balances | 1,404,501 | 2,249,624 | 6,406,173 | 13,901,411 | 15,755,416 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 4,270,313 | \$ 2,319,788 | \$ 7,159,575 | \$ 17,435,548 | \$ 16,590,643 |

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

| | Special Revenue | | | | |
|---|-----------------------------------|------------------------|----------------------|---|--------------------------------------|
| | Measure W Public Safety Tax | Special Assessments | CDBG Programs | Neighborhood Stabilization Loan Program | Housing Grants / Loans Program |
| ASSETS | | | | | |
| Assets: | | | | | |
| Cash and investments | \$ 3,122,843 | \$ 17,234,526 | \$ 2,972,630 | \$ 392,901 | \$ 3,716 |
| Cash and investments with fiscal agents | - | - | - | - | 1,558,358 |
| Receivables, net: | | | | | |
| Interest | 13,167 | 79,037 | 3,506 | - | 2,402 |
| Accounts and other | - | 4,040 | 6,688 | - | - |
| Advance deposits | - | - | - | 16,128 | - |
| Due from other governments, net | 1,970,281 | - | 284,126 | - | - |
| Loans to property owners, net | - | - | 19,066,820 | 10,033,059 | - |
| Total assets | \$ 5,106,291 | \$ 17,317,603 | \$ 22,333,770 | \$ 10,442,088 | \$ 1,564,476 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 74,436 | \$ 288,404 | \$ 164,000 | \$ - | \$ - |
| Accrued payroll | 366,642 | 20,806 | 28,029 | 395 | - |
| Due to other funds | - | - | - | - | - |
| Due to other governments | - | - | 2,144,820 | 408,634 | - |
| Deposits and other liabilities | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | 441,078 | 309,210 | 2,336,849 | 409,029 | - |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - Loans to property owners | - | - | 19,066,820 | 10,033,059 | - |
| Unavailable revenue - Other | - | - | - | - | - |
| Total deferred inflows of resource | - | - | 19,066,820 | 10,033,059 | - |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 4,665,213 | 17,008,393 | 930,101 | - | 1,564,476 |
| Total fund balances | 4,665,213 | 17,008,393 | 930,101 | - | 1,564,476 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 5,106,291 | \$ 17,317,603 | \$ 22,333,770 | \$ 10,442,088 | \$ 1,564,476 |

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

| | Special Revenue | | | Transportation Development Act | Capital Projects |
|---|-------------------------|---------------------|-----------------------------|--------------------------------------|-------------------------------------|
| | Development Services | CalHome Programs | Other Special Revenue | | Public Facilities Impact Fees |
| ASSETS | | | | | |
| Assets: | | | | | |
| Cash and investments | \$ 16,202,530 | \$ 503,155 | \$ 1,657,607 | \$ - | \$ 57,423,502 |
| Cash and investments with fiscal agents | - | - | - | - | - |
| Receivables, net: | | | | | |
| Interest | 70,749 | - | 7,435 | - | 264,474 |
| Accounts and other | 451,688 | 478 | 7,035 | - | 952,682 |
| Advance deposits | - | - | - | - | - |
| Due from other governments, net | 65,000 | - | 5,147 | 13,064 | - |
| Loans to property owners, net | - | 3,137,093 | - | - | - |
| Total assets | \$ 16,789,967 | \$ 3,640,726 | \$ 1,677,224 | \$ 13,064 | \$ 58,640,658 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 145,365 | \$ - | \$ 2,743 | \$ - | \$ 551,153 |
| Accrued payroll | 302,751 | - | 2,532 | - | 11,790 |
| Due to other funds | - | - | - | 13,064 | - |
| Due to other governments | - | - | - | - | 315,090 |
| Deposits and other liabilities | 679,332 | - | - | - | - |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | 1,127,448 | - | 5,275 | 13,064 | 878,033 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - Loans to property owners | - | 3,137,093 | - | - | - |
| Unavailable revenue - Other | 163,913 | - | - | - | 204,678 |
| Total deferred inflows of resource | 163,913 | 3,137,093 | - | - | 204,678 |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 15,498,606 | 503,633 | 1,671,949 | - | 57,557,947 |
| Total fund balances | 15,498,606 | 503,633 | 1,671,949 | - | 57,557,947 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 16,789,967 | \$ 3,640,726 | \$ 1,677,224 | \$ 13,064 | \$ 58,640,658 |

(Continued)

City of Stockton
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

| | Debt Service Stockton Public Financing Authority | Permanent Miscellaneous | Totals |
|---|---|----------------------------|-----------------------|
| ASSETS | | | |
| Assets: | | | |
| Cash and investments | \$ 1,801,563 | \$ 373,902 | \$ 137,161,096 |
| Cash and investments with fiscal agents | - | - | 1,580,823 |
| Receivables, net: | | | |
| Interest | 6,313 | 1,017 | 594,854 |
| Accounts and other | - | - | 1,676,013 |
| Advance deposits | - | - | 16,128 |
| Due from other governments, net | - | - | 14,218,643 |
| Loans to property owners, net | - | - | 32,236,972 |
| Total assets | \$ 1,807,876 | \$ 374,919 | \$ 187,484,529 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 29,204 | \$ - | \$ 4,155,020 |
| Accrued payroll | 21,518 | - | 1,169,940 |
| Due to other funds | - | - | 13,064 |
| Due to other governments | - | - | 2,868,544 |
| Deposits and other liabilities | - | - | 683,247 |
| Unearned revenue | - | - | 2,424,799 |
| Total liabilities | 50,722 | - | 11,314,614 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenue - Loans to property owners | - | - | 32,236,972 |
| Unavailable revenue - Other | - | - | 2,683,427 |
| Total deferred inflows of resource | - | - | 34,920,399 |
| Fund Balances: | | | |
| Nonspendable | - | 356,134 | 356,134 |
| Restricted | 1,757,154 | 18,785 | 140,893,382 |
| Total fund balances | 1,757,154 | 374,919 | 141,249,516 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,807,876 | \$ 374,919 | \$ 187,484,529 |

(Concluded)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

| | Special Revenue | | | | |
|--|---------------------|-------------------------------|---------------------|-----------------------------------|------------------------------------|
| | Special Grants | Solid Waste & Recycling | Gas Tax | Measure K Streets Sales Tax | Measure M Strong Communities |
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Sales - levied by City | \$ - | \$ - | \$ - | \$ - | \$ 11,680,005 |
| Business licenses | - | - | - | - | - |
| Other | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental: | | | | | |
| Federal grants and subsidies | 1,496,612 | - | - | - | - |
| Other governmental | 5,065,327 | - | 12,143,514 | 12,424,596 | - |
| Charges for services | 636,758 | - | 15 | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Use of money and property | - | - | - | - | - |
| Investment income: | | | | | |
| Interest income | - | 83,084 | 145,350 | 395,179 | 397,935 |
| Refunds and reimbursements | - | - | 98,968 | 89,296 | - |
| Miscellaneous | 77,676 | 1,703,744 | - | - | - |
| Total revenues | 7,276,373 | 1,786,828 | 12,387,847 | 12,909,071 | 12,077,940 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 843,677 | - | - | - | - |
| Public safety | 3,115,042 | - | - | - | - |
| Public works | 279,002 | 1,464,888 | 7,299,011 | 3,012,836 | - |
| Library | 21,328 | - | - | - | 2,432,551 |
| Parks and recreation | 3,986 | - | - | - | 3,567,692 |
| Capital outlay | 2,927,409 | - | 1,627,388 | 7,728,724 | 80,575 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 7,190,444 | 1,464,888 | 8,926,399 | 10,741,560 | 6,080,818 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 85,929 | 321,940 | 3,461,448 | 2,167,511 | 5,997,122 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | (2,092) | - | - | - | - |
| Transfers out | (333,292) | - | - | 110,861 | - |
| Total other financing sources (uses) | (335,384) | - | - | 110,861 | - |
| CHANGE IN FUND BALANCES | (249,455) | 321,940 | 3,461,448 | 2,278,372 | 5,997,122 |
| FUND BALANCES: | | | | | |
| Beginning of year | 1,653,956 | 1,927,684 | 2,944,725 | 11,623,039 | 9,758,294 |
| End of year | \$ 1,404,501 | \$ 2,249,624 | \$ 6,406,173 | \$ 13,901,411 | \$ 15,755,416 |

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

| | Special Revenue | | | | |
|--|-----------------------------------|------------------------|-------------------|---|--------------------------------------|
| | Measure W Public Safety Tax | Special Assessments | CDBG Programs | Neighborhood Stabilization Loan Program | Housing Grants / Loans Program |
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Sales - levied by City | \$ 11,660,101 | \$ - | \$ - | \$ - | \$ - |
| Business licenses | - | 1,656,967 | - | - | - |
| Other | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental: | | | | | |
| Federal grants and subsidies | - | - | 1,984,709 | (64,012) | - |
| Other governmental | - | - | - | - | - |
| Charges for services | - | 3,712,653 | 1,025 | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Use of money and property | - | - | 1,902,863 | 92,528 | - |
| Investment income: | | | | | |
| Interest income | 96,398 | 656,191 | 11,221 | - | 27,504 |
| Refunds and reimbursements | - | - | - | - | - |
| Miscellaneous | - | - | 793,663 | - | - |
| Total revenues | 11,756,499 | 6,025,811 | 4,693,481 | 28,516 | 27,504 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | - | 1,656,907 | 35,724 | - | - |
| Public safety | 10,366,901 | - | - | - | - |
| Public works | - | 245,829 | - | - | - |
| Library | - | - | - | - | - |
| Parks and recreation | - | 2,727,126 | - | - | - |
| Capital outlay | 14,031 | - | 2,289,711 | 28,516 | - |
| Debt service: | | | | | |
| Principal retirement | - | - | 1,515,000 | - | - |
| Interest and fiscal charges | - | - | 458,455 | - | - |
| Total expenditures | 10,380,932 | 4,629,862 | 4,298,890 | 28,516 | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 1,375,567 | 1,395,949 | 394,591 | - | 27,504 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | 7,212 | 1,529,765 | - | - |
| Transfers out | - | (7,212) | (1,994,451) | - | - |
| Total other financing sources (uses) | - | - | (464,686) | - | - |
| CHANGES IN FUND BALANCES | 1,375,567 | 1,395,949 | (70,095) | - | 27,504 |
| FUND BALANCES: | | | | | |
| Beginning of year | 3,289,646 | 15,612,444 | 1,000,196 | - | 1,536,972 |
| End of year | \$ 4,665,213 | \$ 17,008,393 | \$ 930,101 | \$ - | \$ 1,564,476 |

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

| | Special Revenue | | | Transportation | Capital Projects |
|--|-------------------------|---------------------|-----------------------------|--------------------|-------------------------------------|
| | Development Services | CalHome Programs | Other Special Revenue | Development Act | Public Facilities Impact Fees |
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Sales - levied by City | \$ - | \$ - | \$ - | \$ - | \$ - |
| Business licenses | - | - | - | - | - |
| Other | - | - | - | 13,064 | - |
| Licenses and permits | 6,238,315 | - | 67,959 | - | - |
| Intergovernmental: | | | | | |
| Federal grants and subsidies | - | - | 57,444 | - | - |
| Other governmental | - | - | (20,816) | - | - |
| Charges for services | 6,832,676 | - | 44,837 | - | 4,498,053 |
| Fines and forfeitures | 83,390 | - | - | - | - |
| Use of money and property | - | 165,305 | - | - | 83,311 |
| Investment income: | | | | | |
| Interest income | 554,185 | - | 47,368 | 130 | 2,221,750 |
| Refunds and reimbursements | 96,944 | - | 2,200 | - | - |
| Miscellaneous | 97,684 | - | 232,723 | - | - |
| Total revenues | 13,903,194 | 165,305 | 431,715 | 13,194 | 6,803,114 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 8,536,217 | - | 82,655 | - | - |
| Public safety | 2,177,548 | - | 68,597 | - | 57,326 |
| Public works | - | - | - | - | 152 |
| Library | - | - | 23,444 | - | - |
| Parks and recreation | - | - | 6,400 | - | 25,983 |
| Capital outlay | - | - | 9,122 | 15,164 | 2,307,887 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 10,713,765 | - | 190,218 | 15,164 | 2,391,348 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3,189,429 | 165,305 | 241,497 | (1,970) | 4,411,766 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 925,000 | - | - | - | 669,315 |
| Transfers out | - | - | - | - | (807,790) |
| Total other financing sources (uses) | 925,000 | - | - | - | (138,475) |
| CHANGES IN FUND BALANCES | 4,114,429 | 165,305 | 241,497 | (1,970) | 4,273,291 |
| FUND BALANCES: | | | | | |
| Beginning of year | 11,384,177 | 338,328 | 1,430,452 | 1,970 | 53,284,656 |
| End of year | \$ 15,498,606 | \$ 503,633 | \$ 1,671,949 | \$ - | \$ 57,557,947 |

(Continued)

City of Stockton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

| | Debt Service Stockton Public Financing Authority | Permanent Miscellaneous | Totals |
|--|---|----------------------------|-----------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Sales - levied by City | \$ - | \$ - | \$ 23,340,106 |
| Business licenses | - | - | 1,656,967 |
| Other | - | - | 13,064 |
| Licenses and permits | - | - | 6,306,274 |
| Intergovernmental: | | | |
| Federal grants and subsidies | - | - | 3,474,753 |
| Other governmental | - | - | 29,612,621 |
| Charges for services | 1,665,131 | - | 17,391,148 |
| Fines and forfeitures | - | - | 83,390 |
| Use of money and property | - | - | 2,244,007 |
| Investment income: | | | |
| Interest income | 40,574 | 20,011 | 4,696,880 |
| Refunds and reimbursements | - | - | 287,408 |
| Miscellaneous | 6,970 | - | 2,912,460 |
| Total revenues | 1,712,675 | 20,011 | 92,019,078 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 346,825 | 62,080 | 11,564,085 |
| Public safety | - | - | 15,785,414 |
| Public works | - | - | 12,301,718 |
| Library | - | - | 2,477,323 |
| Parks and recreation | - | - | 6,331,187 |
| Capital outlay | - | - | 17,028,527 |
| Debt service: | | | |
| Principal retirement | 9,961,771 | - | 11,476,771 |
| Interest and fiscal charges | 5,169,337 | - | 5,627,792 |
| Total expenditures | 15,477,933 | 62,080 | 82,592,817 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (13,765,258) | (42,069) | 9,426,261 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 13,968,931 | - | 17,098,131 |
| Transfers out | - | - | (3,031,884) |
| Total other financing sources (uses) | 13,968,931 | - | 14,066,247 |
| CHANGES IN FUND BALANCES | 203,673 | (42,069) | 23,492,508 |
| FUND BALANCES: | | | |
| Beginning of year | 1,553,481 | 416,988 | 117,757,008 |
| End of year | \$ 1,757,154 | \$ 374,919 | \$ 141,249,516 |

(Concluded)





CITY OF STOCKTON



NONMAJOR ENTERPRISE FUNDS

NON-MAJOR ENTERPRISE FUNDS

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

The City's non-major Enterprise Funds include:

Downtown Marina Enterprise Fund

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

Golf Courses Enterprise Fund

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

City of Stockton
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019

| | Downtown Marina | Golf Courses | Total |
|-------------------------------------|----------------------|-------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 259,975 | \$ 157,420 | \$ 417,395 |
| Receivables, net: | | | |
| Interest | 1,103 | (954) | 149 |
| Accounts and other receivables | 19,297 | - | 19,297 |
| Inventory of supplies | 694 | 66,174 | 66,868 |
| Prepays | 1,250 | 1,901 | 3,151 |
| Total current assets | 282,319 | 224,541 | 506,860 |
| Noncurrent assets: | | | |
| Capital assets, net: | | | |
| Nondepreciable | - | 359,805 | 359,805 |
| Depreciable, net | 22,299,698 | 523,883 | 22,823,581 |
| Total noncurrent assets | 22,299,698 | 883,688 | 23,183,386 |
| Total assets | 22,582,017 | 1,108,229 | 23,690,246 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 108,520 | 130,451 | 238,971 |
| Accrued payroll | - | 971 | 971 |
| Due to other governments | - | 4,021 | 4,021 |
| Deposits and other liabilities | 16,997 | 64,016 | 81,013 |
| Unearned revenue | 7,680 | - | 7,680 |
| Total current liabilities | 133,197 | 199,459 | 332,656 |
| Noncurrent liabilities: | | | |
| Notes payable | 10,870,821 | - | 10,870,821 |
| Total noncurrent liabilities | 10,870,821 | - | 10,870,821 |
| Total liabilities | 11,004,018 | 199,459 | 11,203,477 |
| NET POSITION | | | |
| Net investment in capital assets | 11,428,877 | 883,688 | 12,312,565 |
| Unrestricted | 149,122 | 25,082 | 174,204 |
| Total net position | \$ 11,577,999 | \$ 908,770 | \$ 12,486,769 |

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2019

| | Downtown Marina | Golf Course | Total |
|---|----------------------|-------------------|----------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 161,664 | \$ 717,186 | \$ 878,850 |
| Miscellaneous | 7,011 | 869,392 | 876,403 |
| Total operating revenues | <u>168,675</u> | <u>1,586,578</u> | <u>1,755,253</u> |
| OPERATING EXPENSES: | | | |
| Operation and maintenance | 556,959 | 2,385,668 | 2,942,627 |
| General and administrative | 47,435 | - | 47,435 |
| Depreciation and amortization | 531,869 | 90,928 | 622,797 |
| Total operating expenses | <u>1,136,263</u> | <u>2,476,596</u> | <u>3,612,859</u> |
| OPERATING (LOSS) | <u>(967,588)</u> | <u>(890,018)</u> | <u>(1,857,606)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Investment income: | | | |
| Interest income | 10,842 | (16,588) | (5,746) |
| Other non-operating revenues | - | - | - |
| Total non-operating revenues | <u>10,842</u> | <u>(16,588)</u> | <u>(5,746)</u> |
| INCOME (LOSS) BEFORE TRANSFERS | (956,746) | (906,606) | (1,863,352) |
| TRANSFERS: | | | |
| Transfers in | 262,000 | 700,000 | 962,000 |
| Total transfers | <u>262,000</u> | <u>700,000</u> | <u>962,000</u> |
| CHANGES IN NET POSITION | (694,746) | (206,606) | (901,352) |
| NET POSITION: | | | |
| Beginning of year | <u>12,272,745</u> | <u>1,115,376</u> | <u>13,388,121</u> |
| End of year | <u>\$ 11,577,999</u> | <u>\$ 908,770</u> | <u>\$ 12,486,769</u> |

City of Stockton
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2019

| | Downtown Marina | Golf Courses | Total |
|--|---------------------|---------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers and users | \$ 147,958 | \$ 717,186 | \$ 865,144 |
| Payments to suppliers and employees | (551,270) | (2,349,219) | (2,900,489) |
| Miscellaneous receipts | 7,011 | 869,392 | 876,403 |
| Net cash (used in) operating activities | (396,301) | (762,641) | (1,158,942) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers in | 262,000 | 700,000 | 962,000 |
| Receipt of cash subsidies and federal grants | - | (4) | (4) |
| Net cash provided by noncapital financing activities | 262,000 | 699,996 | 961,996 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Purchase of capital assets | - | (40,879) | (40,879) |
| Net cash (used in) capital and related financing activities | - | (40,879) | (40,879) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment earnings | 11,401 | (15,634) | (4,233) |
| Net cash (used in) noncapital financing activities | 11,401 | (15,634) | (4,233) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (122,900) | (119,158) | (242,058) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 382,875 | 276,578 | 659,453 |
| End of year | \$ 259,975 | \$ 157,420 | \$ 417,395 |
| RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES: | | | |
| Operating (loss) | \$ (967,588) | \$ (890,018) | \$ (1,857,606) |
| Adjustments to reconcile operating (loss) to net cash (used in) by operating activities: | | | |
| Depreciation and amortization | 531,869 | 90,928 | 622,797 |
| Changes in assets and liabilities: | | | |
| Accounts and other receivables | (13,706) | - | (13,706) |
| Inventory of supplies | (694) | (20,671) | (21,365) |
| Prepays | - | 682 | 682 |
| Accounts payable | 49,245 | 74,272 | 123,517 |
| Accrued payroll | (759) | (605) | (1,364) |
| Unearned revenues | (3,367) | - | (3,367) |
| Deposits and other liabilities | 8,699 | (17,229) | (8,530) |
| Net cash (used in) operating activities | \$ (396,301) | \$ (762,641) | \$ (1,158,942) |



CITY OF STOCKTON



INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

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

The City's Internal Service Funds include:

General Liability Insurance Fund

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

Workers' Compensation Insurance Fund

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

Employee and Retiree Health Insurance Fund

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

Retirement Benefits Fund

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

Other Benefits and Insurance Fund

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

Vehicle Fleet Equipment Fund

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

Computer Equipment Fund

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

Radio Equipment Fund

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

Other Equipment Fund

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

City of Stockton
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

| | General Liability Insurance | Workers' Compensation Insurance | Employee & Retiree Health Insurance | Retirement Benefits | Other Benefits & Insurance |
|---|-----------------------------------|---------------------------------------|---|------------------------|----------------------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 16,382,205 | \$ 34,704,544 | \$ 10,493,178 | \$ 9,018,297 | \$ 1,862,548 |
| Receivables, net: | | | | | |
| Interest | 73,923 | 259,322 | 48,156 | 33,453 | 9,441 |
| Accounts and other receivables | 348,428 | 26,424 | - | - | - |
| Due from other funds | - | 571,498 | - | - | - |
| Advances to other funds | - | 12,122,358 | - | - | - |
| Deposits and advances | - | - | 775,556 | - | - |
| Prepaid items | 2,905 | 174 | 590,724 | - | - |
| Total current assets | 16,807,461 | 47,684,320 | 11,907,614 | 9,051,750 | 1,871,989 |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and investments | - | - | - | 30,453,256 | - |
| Capital assets, net: | | | | | |
| Nondepreciable | - | - | - | - | - |
| Depreciable, net | - | - | - | - | - |
| Total noncurrent assets | - | - | - | 30,453,256 | - |
| Total assets | 16,807,461 | 47,684,320 | 11,907,614 | 39,505,006 | 1,871,989 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 672,153 | 3,220 | 205,305 | 91,434 | 77,829 |
| Accrued payroll | 52,223 | 21,078 | 25,331 | 886 | - |
| Advances from other funds | - | - | - | - | - |
| Deposits and other liabilities | - | 49,104 | - | - | - |
| Accrued interest | - | - | - | - | - |
| Capital lease obligations - current | - | - | - | - | - |
| Compensated absences - current | 13,901 | 14,350 | 18,470 | - | - |
| Self-insurance claims and judgments - current | 4,587,680 | 7,900,000 | 506,772 | - | - |
| Total current liabilities | 5,325,957 | 7,987,752 | 755,878 | 92,320 | 77,829 |
| Noncurrent liabilities: | | | | | |
| Compensated absences - long-term | 6,264 | 2,408 | 8,339 | - | - |
| Self-insurance claims and judgments - long-term | 12,521,772 | 39,507,000 | - | - | - |
| Capital lease obligations - long term | - | - | - | - | - |
| Total noncurrent liabilities | 12,528,036 | 39,509,408 | 8,339 | - | - |
| Total liabilities | 17,853,993 | 47,497,160 | 764,217 | 92,320 | 77,829 |
| NET POSITION | | | | | |
| Net investment in capital assets | - | - | - | - | - |
| Restricted for pensions | - | - | - | 30,453,256 | - |
| Unrestricted (deficits) | (1,046,532) | 187,160 | 11,143,397 | 8,959,430 | 1,794,160 |
| Total net position | \$ (1,046,532) | \$ 187,160 | \$ 11,143,397 | \$ 39,412,686 | \$ 1,794,160 |

City of Stockton
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2019

| | Vehicle Fleet Equipment | Computer Equipment | Radio Equipment | Other Equipment | Total |
|---|----------------------------|-----------------------|---------------------|---------------------|-----------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 9,826,194 | \$ 36,918,154 | \$ 4,172,483 | \$ 1,581,987 | \$ 124,959,590 |
| Receivables, net: | | | | | |
| Interest | 41,340 | 166,661 | 18,733 | 7,169 | 658,198 |
| Accounts and other receivables | 295 | - | - | - | 375,147 |
| Due from other funds | - | - | - | - | 571,498 |
| Advances to other funds | - | - | - | - | 12,122,358 |
| Deposits and advances | - | - | - | - | 775,556 |
| Prepaid items | 15,922 | 805,596 | 5,392 | 45,077 | 1,465,790 |
| Total current assets | 9,883,751 | 37,890,411 | 4,196,608 | 1,634,233 | 140,928,137 |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and investments | - | - | - | - | 30,453,256 |
| Capital assets, net: | | | | | |
| Nondepreciable | - | 155,626 | - | - | 155,626 |
| Depreciable, net | 17,522,318 | 2,478,899 | 988,131 | 80,473 | 21,069,821 |
| Total noncurrent assets | 17,522,318 | 2,634,525 | 988,131 | 80,473 | 51,678,703 |
| Total assets | 27,406,069 | 40,524,936 | 5,184,739 | 1,714,706 | 192,606,840 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 582,875 | 2,175,993 | 226,774 | 44,869 | 4,080,452 |
| Accrued payroll | 133,737 | 218,400 | 6,270 | 5,106 | 463,031 |
| Advances from other funds | 3,250,727 | - | - | - | 3,250,727 |
| Deposits and other liabilities | - | - | - | - | 49,104 |
| Accrued interest | 42,380 | - | - | - | 42,380 |
| Capital lease obligations - current | 193,504 | - | - | - | 193,504 |
| Compensated absences - current | 78,719 | 181,412 | - | 3,283 | 310,135 |
| Self-insurance claims and judgments - current | - | - | - | - | 12,994,452 |
| Total current liabilities | 4,281,942 | 2,575,805 | 233,044 | 53,258 | 21,383,785 |
| Noncurrent liabilities: | | | | | |
| Compensated absences - long-term | 42,073 | 105,290 | - | 3,624 | 167,998 |
| Self-insurance claims and judgments - long-term | - | - | - | - | 52,028,772 |
| Capital lease obligations - long term | 406,376 | - | - | - | 406,376 |
| Total noncurrent liabilities | 448,449 | 105,290 | - | 3,624 | 52,603,146 |
| Total liabilities | 4,730,391 | 2,681,095 | 233,044 | 56,882 | 73,986,931 |
| NET POSITION | | | | | |
| Net investment in capital assets | 16,922,438 | 2,634,525 | 988,131 | 80,473 | 20,625,567 |
| Restricted for pensions | - | - | - | - | 30,453,256 |
| Unrestricted (deficits) | 5,753,240 | 35,209,316 | 3,963,564 | 1,577,351 | 67,541,086 |
| Total net position | \$ 22,675,678 | \$ 37,843,841 | \$ 4,951,695 | \$ 1,657,824 | \$ 118,619,909 |

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2019

| | General Liability Insurance | Workers' Compensation Insurance | Employee & Retiree Health Insurance | Retirement Benefits | Other Benefits & Insurance |
|---|-----------------------------------|---------------------------------------|---|------------------------|----------------------------------|
| OPERATING REVENUES: | | | | | |
| Charges for services | \$ 6,690,955 | \$ 12,204,984 | \$ 20,984,477 | \$ 62,976,198 | \$ 1,343,383 |
| Total operating revenues | 6,690,955 | 12,204,984 | 20,984,477 | 62,976,198 | 1,343,383 |
| OPERATING EXPENSES: | | | | | |
| Operation and maintenance | 7,473,208 | 6,669,411 | 21,964,889 | 59,799,611 | 2,117,264 |
| General and administrative | 1,338,734 | 2,501,654 | 988,434 | - | - |
| Depreciation and amortization | - | - | - | - | - |
| Total operating expenses | 8,811,942 | 9,171,065 | 22,953,323 | 59,799,611 | 2,117,264 |
| OPERATING INCOME (LOSS) | (2,120,987) | 3,033,919 | (1,968,846) | 3,176,587 | (773,881) |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Investment income: | | | | | |
| Interest income | 646,342 | 1,652,279 | 434,912 | 2,021,873 | 89,690 |
| Gain from disposal of capital assets | - | - | - | - | - |
| Interest expense and fiscal charges | - | - | - | - | - |
| Other non-operating revenues | - | - | (48,079) | - | - |
| Total non-operating revenues (expenses) | 646,342 | 1,652,279 | 386,833 | 2,021,873 | 89,690 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | (1,474,645) | 4,686,198 | (1,582,013) | 5,198,460 | (684,191) |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | | |
| Capital contributions | - | - | - | - | - |
| Transfers in | - | - | - | 4,765,014 | - |
| Transfers out | - | - | - | - | - |
| Gain on loan forgiveness (Note 18) | - | 500,000 | - | - | - |
| Total capital contributions and transfers | - | 500,000 | - | 4,765,014 | - |
| CHANGES IN NET POSITION | (1,474,645) | 5,186,198 | (1,582,013) | 9,963,474 | (684,191) |
| NET POSITION: | | | | | |
| Beginning of year | 428,113 | (4,999,038) | 12,725,410 | 29,449,212 | 2,478,351 |
| End of year | <u>\$ (1,046,532)</u> | <u>\$ 187,160</u> | <u>\$ 11,143,397</u> | <u>\$ 39,412,686</u> | <u>\$ 1,794,160</u> |

City of Stockton
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Internal Service Funds
For the Year Ended June 30, 2019

| | Vehicle Fleet Equipment | Computer Equipment | Radio Equipment | Other Equipment | Total |
|---|----------------------------|-----------------------|---------------------|---------------------|-----------------------|
| OPERATING REVENUES: | | | | | |
| Charges for services | \$ 12,605,736 | \$ 14,952,199 | \$ 2,022,016 | \$ 381,174 | \$ 134,161,122 |
| Total operating revenues | 12,605,736 | 14,952,199 | 2,022,016 | 381,174 | 134,161,122 |
| OPERATING EXPENSES: | | | | | |
| Operation and maintenance | 6,335,317 | 10,724,354 | 1,255,034 | 296,381 | 116,635,469 |
| General and administrative | 1,836,333 | - | - | - | 6,665,155 |
| Depreciation and amortization | 3,117,907 | 761,731 | 166,479 | 32,081 | 4,078,198 |
| Total operating expenses | 11,289,557 | 11,486,085 | 1,421,513 | 328,462 | 127,378,822 |
| OPERATING INCOME (LOSS) | 1,316,179 | 3,466,114 | 600,503 | 52,712 | 6,782,300 |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Investment income: | | | | | |
| Interest income | 317,073 | 1,323,127 | 149,588 | 60,662 | 6,695,546 |
| Gain from disposal of capital assets | 21,929 | - | - | - | 21,929 |
| Interest expense and fiscal charges | (95,734) | - | - | - | (95,734) |
| Other non-operating revenues | - | - | - | - | (48,079) |
| Total non-operating revenues (expenses) | 243,268 | 1,323,127 | 149,588 | 60,662 | 6,573,662 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 1,559,447 | 4,789,241 | 750,091 | 113,374 | 13,355,962 |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | | |
| Capital contributions | 85,909 | - | - | - | 85,909 |
| Transfers in | 370,979 | 2,256,149 | - | - | 7,392,142 |
| Transfers out | (150,000) | - | - | - | (150,000) |
| Gain on loan forgiveness (Note 18) | - | - | - | - | 500,000 |
| Total capital contributions and transfers | 306,888 | 2,256,149 | - | - | 7,828,051 |
| CHANGES IN NET POSITION | 1,866,335 | 7,045,390 | 750,091 | 113,374 | 21,184,013 |
| NET POSITION: | | | | | |
| Beginning of year | 20,809,343 | 30,798,451 | 4,201,604 | 1,544,450 | 97,435,896 |
| End of year | <u>\$ 22,675,678</u> | <u>\$ 37,843,841</u> | <u>\$ 4,951,695</u> | <u>\$ 1,657,824</u> | <u>\$ 118,619,909</u> |

City of Stockton
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

| | General Liability Insurance | Workers' Compensation Insurance | Employee & Retiree Health Insurance | Retirement Benefits | Other Benefits & Insurance |
|---|-----------------------------------|---------------------------------------|---|------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from customers and users | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts for interfund services provided | 6,601,186 | 11,278,129 | 20,999,856 | 62,976,198 | 1,343,383 |
| Payments to suppliers and employees | (8,328,919) | (9,170,255) | (22,653,054) | (59,806,909) | (2,061,055) |
| Claims and insurance paid | 851,397 | (911,000) | 44,772 | - | - |
| Net cash provided by (used in) operating activities | (876,336) | 1,196,874 | (1,608,426) | 3,169,289 | (717,672) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers in | - | - | - | 4,765,014 | - |
| Transfers out | - | - | - | - | - |
| Contribution to other funds | - | - | - | - | - |
| Advance to other funds | - | (12,122,358) | - | - | - |
| Advance from other funds | - | - | - | - | - |
| Other non-operating revenues | - | - | (48,079) | - | - |
| Gain on loan forgiveness (Note 18) | - | 500,000 | - | - | - |
| Net cash provided by (used in) noncapital financing activities | - | (11,622,358) | (48,079) | 4,765,014 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Proceeds from sale of capital assets | - | - | - | - | - |
| Purchases of capital assets | - | - | - | - | - |
| Capital contributions received | - | - | - | - | - |
| Principal paid on debt | - | - | - | - | - |
| Interest paid on debt | - | - | - | - | - |
| Net cash (used in) capital and related financing activities | - | - | - | - | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Investment earnings | 644,470 | 1,583,433 | 437,411 | 2,021,852 | 91,628 |
| Deferred rent | - | - | - | - | - |
| Net cash provided by investing activities | 644,470 | 1,583,433 | 437,411 | 2,021,852 | 91,628 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (231,866) | (8,842,051) | (1,219,094) | 9,956,155 | (626,044) |
| CASH AND CASH EQUIVALENTS: | | | | | |
| Beginning of year | 16,614,071 | 43,546,595 | 11,712,272 | 29,515,398 | 2,488,592 |
| End of year | <u>\$ 16,382,205</u> | <u>\$ 34,704,544</u> | <u>\$ 10,493,178</u> | <u>\$ 39,471,553</u> | <u>\$ 1,862,548</u> |

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2019

| | Vehicle Fleet Equipment | Computer Equipment | Radio Equipment | Other Equipment | Total |
|---|----------------------------|-----------------------|---------------------|---------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from customers and users | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts for interfund services provided | 12,634,690 | 14,952,199 | 2,022,016 | 381,174 | 133,188,831 |
| Payments to suppliers and employees | (8,019,921) | (9,754,439) | (1,426,239) | (285,891) | (121,506,682) |
| Claims and insurance paid | - | - | - | - | (14,831) |
| Net cash provided by (used in) operating activities | 4,614,769 | 5,197,760 | 595,777 | 95,283 | 11,667,318 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers in | 370,979 | 2,256,149 | - | - | 7,392,142 |
| Transfers out | (150,000) | - | - | - | (150,000) |
| Contribution to other funds | (456,888) | - | - | - | (456,888) |
| Advance to other funds | - | - | - | - | (12,122,358) |
| Advance from other funds | 3,250,727 | - | - | - | 3,250,727 |
| Other non-operating revenues | - | - | - | - | (48,079) |
| Gain on loan forgiveness (Note 18) | - | - | - | - | 500,000 |
| Net cash provided by (used in) noncapital financing activities | 3,014,818 | 2,256,149 | - | - | (1,634,456) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Proceeds from sale of capital assets | 21,929 | - | - | - | 21,929 |
| Purchases of capital assets | (1,948,753) | (1,105,374) | - | (40,007) | (3,094,134) |
| Capital contributions received | 85,909 | - | - | - | 85,909 |
| Principal paid on debt | (3,880,574) | - | - | - | (3,880,574) |
| Interest paid on debt | (131,559) | - | - | - | (131,559) |
| Net cash (used in) capital and related financing activities | (5,853,048) | (1,105,374) | - | (40,007) | (6,998,429) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Investment earnings | 300,881 | 1,283,255 | 145,044 | 59,854 | 6,567,828 |
| Deferred rent | - | (214,100) | - | - | (214,100) |
| Net cash provided by investing activities | 300,881 | 1,069,155 | 145,044 | 59,854 | 6,353,728 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,077,420 | 7,417,690 | 740,821 | 115,130 | 9,388,161 |
| CASH AND CASH EQUIVALENTS: | | | | | |
| Beginning of year | 7,748,774 | 29,500,464 | 3,431,662 | 1,466,857 | 146,024,685 |
| End of year | <u>\$ 9,826,194</u> | <u>\$ 36,918,154</u> | <u>\$ 4,172,483</u> | <u>\$ 1,581,987</u> | <u>\$ 155,412,846</u> |

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2019

| | General Liability Insurance | Workers' Compensation Insurance | Employee Health Insurance | Retirement Benefits | Other Benefits & Insurance |
|---|-----------------------------------|---------------------------------------|---------------------------------|------------------------|----------------------------------|
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS: | | | | | |
| Cash and investments | \$ 16,382,205 | \$ 34,704,544 | \$ 10,493,178 | \$ 9,018,297 | \$ 1,862,548 |
| Restricted assets: | | | | | |
| Cash with investments fiscal agents | - | - | - | 30,453,256 | - |
| Total cash and investments | \$ 16,382,205 | \$ 34,704,544 | \$ 10,493,178 | \$ 39,471,553 | \$ 1,862,548 |
| RECONCILIATION OF OPERATING INCOME | | | | | |
| (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ (2,120,987) | \$ 3,033,919 | \$ (1,968,846) | \$ 3,176,587 | \$ (773,881) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation and amortization | - | - | - | - | - |
| Changes in assets and liabilities: | | | | | |
| Accounts and other receivables | (89,769) | 19,635 | 15,379 | - | - |
| Due from other funds | | (446,490) | | | |
| Prepaid items | (2,905) | (174) | (89,474) | | |
| Deposits and advances | | - | 383,444 | | |
| Accounts payable | 479,627 | (2,017) | (3,801) | (7,538) | 56,209 |
| Accrued payroll | 8,794 | (894) | (3,798) | 240 | |
| Loans from Successor Agency, net | | (500,000) | - | - | - |
| Compensated absences | (2,493) | 3,895 | 13,898 | - | - |
| Self-insurance - claims and judgments | 851,397 | (911,000) | 44,772 | - | - |
| Net cash provided by (used in) operating activities | \$ (876,336) | \$ 1,196,874 | \$ (1,608,426) | \$ 3,169,289 | \$ (717,672) |

City of Stockton
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2019

| | Vehicle Fleet Equipment | Computer Equipment | Radio Equipment | Other Equipment | Total |
|---|----------------------------|-----------------------|---------------------|---------------------|-----------------------|
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS: | | | | | |
| Cash and investments | \$ 9,826,194 | \$ 36,918,154 | \$ 4,172,483 | \$ 1,581,987 | \$ 124,959,590 |
| Restricted assets: | | | | | |
| Cash with investments fiscal agents | - | - | - | - | 30,453,256 |
| Total cash and investments | <u>\$ 9,826,194</u> | <u>\$ 36,918,154</u> | <u>\$ 4,172,483</u> | <u>\$ 1,581,987</u> | <u>\$ 155,412,846</u> |
| RECONCILIATION OF OPERATING INCOME | | | | | |
| (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ 1,316,179 | \$ 3,466,114 | \$ 600,503 | \$ 52,712 | \$ 6,782,300 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation and amortization | 3,117,907 | 761,731 | 166,479 | 32,081 | 4,078,198 |
| Changes in assets and liabilities: | | | | | |
| Accounts and other receivables | 28,954 | - | - | - | (25,801) |
| Due from other funds | - | - | - | - | (446,490) |
| Prepaid items | (3,544) | (112,823) | 528 | 4,123 | (204,269) |
| Deposits and advances | | | | | 383,444 |
| Accounts payable | 183,956 | 1,132,322 | (171,361) | 8,548 | 1,675,945 |
| Accrued payroll | (10,090) | (21,189) | (372) | 2,543 | (24,766) |
| Loans from Successor Agency, net | - | - | - | - | (500,000) |
| Compensated absences | (18,593) | (28,395) | | (4,724) | (36,412) |
| Self-insurance - claims and judgments | - | - | - | - | (14,831) |
| Net cash provided by (used in) operating activities | <u>\$ 4,614,769</u> | <u>\$ 5,197,760</u> | <u>\$ 595,777</u> | <u>\$ 95,283</u> | <u>\$ 11,667,318</u> |





CITY OF STOCKTON



AGENCY FUNDS

AGENCY FUNDS

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

The City's Agency Funds include:

Land-Secured Financing Agency Fund

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

Area of Benefit Fees Agency Fund

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

Public Facilities Fees Agency Fund

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

Miscellaneous Agency Fund

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

All Other Agency Funds

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

City of Stockton
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|-------------------------|----------------------|------------------------|--------------------------|
| <u>LAND-SECURED FINANCING</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 8,238,555 | \$ - | \$ (182,988) | \$ 8,055,567 |
| Cash and investments with fiscal agents | 3,518,819 | 8,451,362 | - | 11,970,181 |
| Receivables: | | | | |
| Interest | 35,838 | 13,996 | - | 49,834 |
| Accounts and other receivables | 30,915 | - | (30,901) | 14 |
| Due from successor agency | - | - | - | - |
| Due from agency funds | - | - | - | - |
| Prepaid items | - | - | - | - |
| Total assets | \$ 11,824,127 | \$ 8,465,358 | \$ (213,889) | \$ 20,075,596 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 712 | \$ - | \$ 712 |
| Deposits and other liabilities | 11,824,127 | 23,997,327 | (15,746,570) | 20,074,884 |
| Total liabilities | \$ 11,824,127 | \$ 23,998,039 | \$ (15,746,570) | \$ 20,075,596 |
| <u>AREA OF BENEFIT FEES</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 10,053,670 | \$ - | \$ (368,311) | \$ 9,685,359 |
| Receivables: | | | | |
| Interest | 47,602 | - | (4,213) | 43,389 |
| Total assets | \$ 10,101,272 | \$ - | \$ (372,524) | \$ 9,728,748 |
| Liabilities: | | | | |
| Deposits and other liabilities | \$ 10,101,272 | \$ - | \$ (372,524) | \$ 9,728,748 |
| Total liabilities | \$ 10,101,272 | \$ - | \$ (372,524) | \$ 9,728,748 |
| <u>PUBLIC FACILITIES FEES</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,435,449 | \$ - | \$ (269,217) | \$ 1,166,232 |
| Receivables: | | | | |
| Interest | 4,493 | - | (929) | 3,564 |
| Accounts and other receivables | 538,237 | - | (538,237) | - |
| Total assets | \$ 1,978,179 | \$ - | \$ (808,383) | \$ 1,169,796 |
| Liabilities: | | | | |
| Accounts payable | \$ 1,067,604 | \$ 77,833 | \$ - | \$ 1,145,437 |
| Due to other governments | 372,338 | - | (347,979) | 24,359 |
| Other liabilities | 538,237 | - | (538,237) | - |
| Total liabilities | \$ 1,978,179 | \$ 77,833 | \$ (886,216) | \$ 1,169,796 |

City of Stockton
Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2019

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|-------------------------|----------------------|------------------------|--------------------------|
| <u>MISCELLANEOUS</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,990,545 | \$ 188,343 | \$ - | \$ 2,178,888 |
| Receivables: | | | | |
| Interest | 12,359 | 564 | - | 12,923 |
| Accounts and other receivables | 5,314,206 | 566,105 | - | 5,880,311 |
| Total assets | \$ 7,317,110 | \$ 755,012 | \$ - | \$ 8,072,122 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 1,511,876 | \$ - | \$ 1,511,876 |
| Due to other governments | 38,089 | 25,576 | - | 63,665 |
| Deposits and other liabilities | 7,279,021 | - | (782,440) | 6,496,581 |
| Total liabilities | \$ 7,317,110 | \$ 1,537,452 | \$ (782,440) | \$ 8,072,122 |
| <u>ALL OTHER</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 75,628 | \$ 35,819 | \$ - | \$ 111,447 |
| Receivables: | | | | |
| Interest | 397 | 139 | - | 536 |
| Accounts and other receivables | 98 | - | (72) | 26 |
| Total assets | \$ 76,123 | \$ 35,958 | \$ (72) | \$ 112,009 |
| Liabilities: | | | | |
| Accounts payable | \$ 16,339 | \$ - | \$ (13,646) | \$ 2,693 |
| Deposits and other liabilities | 59,784 | 49,532 | - | 109,316 |
| Total liabilities | \$ 76,123 | \$ 49,532 | \$ (13,646) | \$ 112,009 |
| <u>TOTAL</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 21,793,847 | \$ 224,162 | \$ (820,516) | \$ 21,197,493 |
| Cash and investments with fiscal agents | 3,518,819 | 8,451,362 | - | 11,970,181 |
| Receivables: | | | | |
| Interest | 100,689 | 14,699 | (5,142) | 110,246 |
| Accounts and other receivables | 5,883,456 | 566,105 | (569,210) | 5,880,351 |
| Due from successor agency | - | - | - | - |
| Due from agency funds | - | - | - | - |
| Prepaid items | - | - | - | - |
| Total assets | \$ 31,296,811 | \$ 9,256,328 | \$ (1,394,868) | \$ 39,158,271 |
| Liabilities: | | | | |
| Accounts payable | \$ 1,083,943 | \$ 1,590,421 | \$ (13,646) | \$ 2,660,718 |
| Due to other governments | 410,427 | 25,576 | (347,979) | 88,024 |
| Deposits and other liabilities | 29,264,204 | 24,046,859 | (16,901,534) | 36,409,529 |
| Other liabilities | 538,237 | - | (538,237) | - |
| Total liabilities | \$ 31,296,811 | \$ 25,662,856 | \$ (17,801,396) | \$ 39,158,271 |

City of Stockton
Measures A and B
Schedule of Sources and Uses
For Year Ended June 30, 2019

| | <u>Final Budget</u> | <u>Year End Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|----------------------------|---------------------------------------|
| Revenues | | | |
| Measure A Transaction and Use Tax | \$ 31,458,459 | \$ 34,570,561 | \$ 3,112,102 |
| Total revenues | <u>31,458,459</u> | <u>34,570,561</u> | <u>3,112,102</u> |
| Uses/Expenditures | | | |
| Police | | | |
| Salary & benefits | | | |
| Sworn | 18,604,080 | 17,552,945 | 1,051,135 |
| Non-Sworn | 3,207,584 | 3,085,164 | 122,420 |
| Vacancy savings | (1,046,464) | - | (1,046,464) |
| Other services | 1,854,746 | 1,726,339 | 128,407 |
| Materials & supplies | | | |
| Fuel | 140,434 | 312,503 | (172,069) |
| Other supplies | 348,629 | 142,380 | 206,249 |
| Other expenses | | | |
| Training | 556,454 | 528,633 | 27,821 |
| Total police | <u>23,665,463</u> | <u>23,347,964</u> | <u>317,499</u> |
| Office of Violence Prevention | | | |
| Salary & benefits | | | |
| Non-sworn | 686,203 | 621,195 | 65,008 |
| Other services | 312,307 | 220,279 | 92,028 |
| Materials & supplies | | | |
| Fuel | 6,731 | 5,620 | 1,111 |
| Other supplies | 28,600 | 5,060 | 23,540 |
| Office equipment | 5,441 | 3,467 | 1,974 |
| Other expenses | 20,250 | 19,741 | 509 |
| Total Office of Violence Prevention | <u>1,059,532</u> | <u>875,362</u> | <u>184,170</u> |
| Basis Adjustment | | | |
| Encumbrances (included in final budget) | - | 162,413 | (162,413) |
| Total Measure B Expenditures | <u>24,724,995</u> | <u>24,385,739</u> | <u>339,256</u> |
| Crime Prevention (Measure B) expenditures as a % of annual Measure A revenues | <u>79%</u> | <u>71%</u> | |
| Other City Services | | | |
| Prior Year - Mission Critical Projects | | | |
| Marketing/communications plan | 14,325 | - | 14,325 |
| General Fund available fund balance | 6,719,139 | 10,184,822 | (3,465,683) |
| Total adjustment | <u>6,733,464</u> | <u>10,184,822</u> | <u>(3,451,358)</u> |
| Total Uses/Expenditures | <u>\$ 31,458,459</u> | <u>\$ 34,570,561</u> | <u>\$ (3,112,102)</u> |



CITY OF STOCKTON



STATISTICAL SECTION



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

| | Fiscal Year | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Governmental activities: | | | | | |
| Net investment in capital assets | \$ 346,021 | \$ 328,284 | \$ 330,655 | \$ 287,078 | \$ 326,823 |
| Restricted | 204,114 | 170,507 | 148,493 | 153,087 | 130,763 |
| Unrestricted | 260,748 | 238,421 | 229,584 | 196,005 | 160,224 |
| Total governmental activities net position | 810,883 | 737,211 | 708,732 | 636,170 | 617,810 |
| Business-type activities: | | | | | |
| Net investment in capital assets | 381,015 | 367,317 | 362,886 | 369,983 | 379,853 |
| Restricted | 28,411 | 46,805 | 50,904 | 54,618 | 56,521 |
| Unrestricted | 155,217 | 133,656 | 82,938 | 44,792 | 28,751 |
| Total business-type activities net position | 564,643 | 547,778 | 496,728 | 469,393 | 465,125 |
| Primary government: | | | | | |
| Net investment in capital assets | 727,036 | 695,601 | 693,540 | 657,061 | 706,676 |
| Restricted | 232,525 | 217,311 | 199,397 | 207,705 | 187,284 |
| Unrestricted | 415,965 | 372,077 | 312,522 | 240,797 | 188,975 |
| Total primary government net position | \$ 1,375,526 | \$ 1,284,989 | \$ 1,205,460 | \$ 1,105,563 | \$ 1,082,935 |

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Governmental activities: | | | | | |
| Net investment in capital assets | \$ 714,595 | \$ 725,426 | \$ 703,266 | \$ 645,249 | \$ 612,914 |
| Restricted | 96,596 | 93,905 | 84,099 | 122,730 | 188,655 |
| Unrestricted | (62,855) | (82,351) | (114,859) | (169,356) | (139,549) |
| Total governmental activities net position | 748,336 | 736,980 | 672,506 | 598,623 | 662,020 |
| Business-type activities: | | | | | |
| Net investment in capital assets | 413,783 | 418,881 | 432,082 | 414,066 | 402,215 |
| Restricted | 54,175 | 56,589 | 27,976 | 33,558 | 30,751 |
| Unrestricted | 42,641 | 38,380 | 54,340 | 61,172 | 41,442 |
| Total business-type activities net position | 510,599 | 513,850 | 514,398 | 508,796 | 474,408 |
| Primary government: | | | | | |
| Net investment in capital assets | 1,128,378 | 1,144,307 | 1,135,348 | 1,059,315 | 1,015,129 |
| Restricted | 150,771 | 150,494 | 112,075 | 156,288 | 219,406 |
| Unrestricted | (20,214) | (43,971) | (60,519) | (108,184) | (98,107) |
| Total primary government net position | \$ 1,258,935 | \$ 1,250,830 | \$ 1,186,904 | \$ 1,107,419 | \$ 1,136,428 |

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 37,821 | \$ 37,259 | \$ 33,378 | \$ 39,608 | \$ 35,576 |
| Public safety | 199,263 | 212,181 | 154,932 | 169,015 | 123,403 |
| Public works | 37,168 | 38,435 | 45,670 | 36,344 | 37,685 |
| Library | 13,501 | 12,301 | 10,904 | 10,406 | 9,098 |
| Parks and recreation | 27,288 | 23,753 | 22,481 | 21,620 | 20,801 |
| Interest and fiscal charges | 5,914 | 5,964 | 4,288 | 2,216 | 3,401 |
| Total governmental activities | <u>320,954</u> | <u>329,894</u> | <u>271,653</u> | <u>279,209</u> | <u>229,964</u> |
| Business-type activities: | | | | | |
| Water utility | 46,641 | 39,526 | 42,886 | 48,001 | 47,474 |
| Wastewater utility | 58,093 | 41,648 | 50,545 | 58,665 | 56,153 |
| Stormwater utility | 7,419 | 4,729 | 5,288 | 6,601 | 7,084 |
| Parking Authority | 5,501 | 5,310 | 5,641 | 5,384 | 5,026 |
| Other | 3,613 | 3,299 | 3,235 | 3,116 | 3,374 |
| Total business-type activities | <u>121,267</u> | <u>94,512</u> | <u>107,595</u> | <u>121,767</u> | <u>119,111</u> |
| Total expenses | <u>442,221</u> | <u>424,406</u> | <u>379,248</u> | <u>400,976</u> | <u>349,075</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 13,977 | 16,451 | 19,184 | 15,831 | 15,169 |
| Public safety | 16,925 | 15,309 | 9,188 | 13,663 | 16,863 |
| Public works | 10,367 | 14,914 | 3,373 | 8,292 | 6,105 |
| Library | 470 | 595 | 377 | 517 | 441 |
| Parks and recreation | 11,320 | 12,194 | 8,765 | 9,158 | 6,145 |
| Operating grants and contributions | 13,446 | 12,402 | 12,565 | 12,861 | 18,823 |
| Capital grants and contributions | 45,632 | 21,426 | 17,591 | 16,286 | 34,268 |
| Total governmental activities | <u>112,137</u> | <u>93,292</u> | <u>71,043</u> | <u>76,608</u> | <u>97,814</u> |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Water utility | 49,489 | 50,590 | 42,308 | 33,277 | 35,059 |
| Wastewater utility | 67,432 | 68,191 | 66,833 | 68,938 | 65,726 |
| Stormwater utility | 6,407 | 5,683 | 5,619 | 5,573 | 5,569 |
| Parking Authority | 4,592 | 4,447 | 5,141 | 4,971 | 4,170 |
| Other | 1,755 | 1,776 | 1,675 | 1,750 | 1,769 |
| Operating grants and contributions | 3,643 | 3,855 | 3,889 | 3,776 | 5,133 |
| Capital grants and contributions | 4,626 | 6,245 | 2,971 | 3,562 | 2,945 |
| Total business-type activities | <u>137,944</u> | <u>140,787</u> | <u>128,436</u> | <u>121,847</u> | <u>120,371</u> |
| Total program revenues | <u>250,081</u> | <u>234,078</u> | <u>199,479</u> | <u>198,455</u> | <u>218,185</u> |
| Change in Net Position | | | | | |
| Governmental activities | (208,817) | (236,603) | (200,610) | (202,601) | (132,150) |
| Business-type activities | 16,677 | 46,275 | 20,841 | 80 | 1,260 |
| Total primary government | <u>\$ (192,140)</u> | <u>\$ (190,328)</u> | <u>\$ (179,769)</u> | <u>\$ (202,521)</u> | <u>\$ (130,890)</u> |

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

| | Fiscal Year | | | | |
|---|------------------|------------------|------------------|------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| General Revenues and Other | | | | | |
| Change in Net Position: | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property | \$ 35,739 | \$ 33,112 | \$ 32,411 | \$ 30,646 | \$ 29,573 |
| In lieu of sales tax | - | - | | 8,775 | 9,816 |
| Utility user | 34,252 | 35,415 | 34,455 | 33,379 | 32,921 |
| Sales - levied by City (1) | 57,911 | 52,788 | 42,506 | 39,070 | 37,208 |
| Franchise fees | 12,307 | 13,243 | 13,289 | 12,397 | 12,379 |
| Business licenses | 19,958 | 13,507 | 12,243 | 11,996 | 10,805 |
| Hotel/motel room | 3,377 | 3,193 | 2,997 | 2,711 | 2,378 |
| Document transfer | 1,071 | 1,078 | 801 | 857 | 587 |
| Other | 2,905 | 2,916 | 1,939 | 1,801 | 930 |
| Shared revenue: | | | | | |
| Vehicle license fees | 23,599 | 29,091 | 21,423 | 20,354 | 19,602 |
| Sales and use tax levied by state (1) | 57,151 | 68,467 | 49,910 | 45,097 | 36,904 |
| Other | - | 165 | 44 | 45 | 49 |
| Investment earnings | 18,438 | 899 | 1,966 | 4,728 | 1,532 |
| Gain on sale of capital assets | (1,602) | (203) | 578 | 568 | (13,214) |
| Miscellaneous | 7,810 | 4,083 | 2,820 | 7,303 | 16,982 |
| Special item (Note 18) | 500 | 6,203 | | - | - |
| Proceeds of long-term debt | - | - | 10,237 | - | 23,396 |
| Extraordinary items | - | - | | - | 250,701 |
| Transfers from Successor Agency, Net | - | 734 | | | |
| Transfers | 9,074 | 389 | 654 | (297) | 383 |
| Total governmental activities | 282,489 | 265,082 | 228,273 | 219,430 | 472,932 |
| Business-type activities: | | | | | |
| Other taxes | 1,341 | 1,271 | 1,292 | 1,239 | 974 |
| Grants and contributions not restricted to specific programs | - | 100 | | - | - |
| Investment earnings | 7,920 | 233 | 131 | 2,653 | 1,172 |
| Gain on sale of capital assets | - | 20 | (1,156) | - | (3,300) |
| Miscellaneous | - | - | | - | - |
| Special item | - | 3,540 | | - | - |
| Transfers | (9,074) | (389) | (654) | 297 | (383) |
| Extraordinary items (2) | - | | | - | 9,548 |
| Total business-type activities | 188 | 4,774 | (387) | 4,189 | 8,011 |
| Total general revenues and other changes in net assets | 282,676 | 269,857 | 227,886 | 223,619 | 480,943 |
| Change in Net Position | | | | | |
| Governmental activities | 73,671 | 28,479 | 27,662 | 16,829 | 340,782 |
| Business-type activities | 16,865 | 51,049 | 20,454 | 4,271 | 9,271 |
| Total primary government | \$ 90,536 | \$ 79,529 | \$ 48,116 | \$ 21,100 | \$ 350,053 |

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

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | |
|------------------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 34,594 | \$ 24,909 | \$ 41,548 | \$ 40,873 | \$ 30,765 |
| Public safety | 124,806 | 108,931 | 154,230 | 182,582 | 187,647 |
| Public works | 51,942 | 49,259 | 34,635 | 48,826 | 56,416 |
| Library | 9,807 | 8,445 | 10,176 | 11,589 | 12,767 |
| Parks and recreation | 19,456 | 19,736 | 20,760 | 24,435 | 22,309 |
| Interest and fiscal charges | 14,486 | 14,615 | 20,529 | 19,274 | 20,430 |
| Total governmental activities | <u>255,091</u> | <u>225,895</u> | <u>281,878</u> | <u>327,579</u> | <u>330,334</u> |
| Business-type activities: | | | | | |
| Water utility | 44,720 | 48,570 | 30,162 | 35,909 | 28,856 |
| Wastewater utility | 55,724 | 51,166 | 51,530 | 49,234 | 45,958 |
| Stormwater utility | 5,758 | 5,959 | 6,685 | 7,406 | 7,842 |
| Parking Authority | 5,120 | 4,944 | 4,903 | 4,264 | 4,616 |
| Other | 3,448 | 2,939 | 3,750 | 3,517 | 2,394 |
| Total business-type activities | <u>114,770</u> | <u>113,578</u> | <u>97,030</u> | <u>100,330</u> | <u>89,666</u> |
| Total expenses | <u>369,861</u> | <u>339,473</u> | <u>378,908</u> | <u>427,909</u> | <u>420,000</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 14,785 | 17,977 | 15,342 | 17,079 | 11,387 |
| Public safety | 21,016 | 18,130 | 15,002 | 16,765 | 18,812 |
| Public works | 5,178 | 6,136 | 6,255 | 15,005 | 17,755 |
| Library | 437 | 670 | 719 | 593 | 504 |
| Parks and recreation | 5,655 | 6,597 | 6,037 | 7,353 | 6,464 |
| Operating grants and contributions | 18,840 | 23,827 | 20,460 | 22,355 | 17,251 |
| Capital grants and contributions | 36,052 | 57,146 | 54,487 | 50,112 | 40,661 |
| Total governmental activities | <u>101,963</u> | <u>130,483</u> | <u>118,302</u> | <u>129,262</u> | <u>112,834</u> |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Water utility | 37,855 | 37,464 | 33,308 | 30,056 | 25,775 |
| Wastewater utility | 59,953 | 55,369 | 50,324 | 42,598 | 37,271 |
| Stormwater utility | 5,571 | 5,503 | 5,888 | 5,879 | 5,655 |
| Parking Authority | 2,882 | 2,669 | 3,487 | 3,585 | 3,672 |
| Other | 1,870 | 1,934 | 2,071 | 1,852 | 1,701 |
| Operating grants and contributions | 3,865 | 4,175 | 4,175 | 4,175 | 2,482 |
| Capital grants and contributions | 1,112 | 4,700 | 10,139 | 15,960 | 4,917 |
| Total business-type activities | <u>113,108</u> | <u>111,814</u> | <u>109,392</u> | <u>104,105</u> | <u>81,473</u> |
| Total program revenues | <u>215,071</u> | <u>242,297</u> | <u>227,694</u> | <u>233,367</u> | <u>194,307</u> |
| Change in Net Position | | | | | |
| Governmental activities | (153,128) | (95,412) | (163,576) | (198,317) | (217,500) |
| Business-type activities | (1,662) | (1,764) | 12,362 | 3,775 | (8,193) |
| Total primary government | <u>\$ (154,790)</u> | <u>\$ (97,176)</u> | <u>\$ (151,214)</u> | <u>\$ (194,542)</u> | <u>\$ (225,693)</u> |

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

| | Fiscal Year | | | | |
|---|------------------|------------------|------------------|--------------------|--------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| General Revenues and Other | | | | | |
| Change in Net Position: | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property | \$ 28,015 | \$ 29,420 | \$ 32,772 | \$ 41,051 | \$ 45,549 |
| In lieu of sales tax | 9,706 | 9,938 | 8,392 | 8,118 | 7,087 |
| Utility user | 32,370 | 31,941 | 31,505 | 30,994 | 30,717 |
| Sales - levied by City (1) | 15,536 | 9,086 | 8,576 | 7,875 | 7,652 |
| Franchise fees | 11,981 | 11,677 | 12,465 | 11,503 | 11,354 |
| Business licenses | 10,392 | 10,153 | 9,873 | 9,855 | 9,717 |
| Hotel/motel room | 2,080 | 2,006 | 1,933 | 1,799 | 1,749 |
| Document transfer | 564 | 458 | 603 | 583 | 559 |
| Other | 728 | 287 | 159 | 155 | 203 |
| Shared revenue: | | | | | |
| Vehicle license fees | 18,069 | 17,433 | 17,734 | 20,014 | 20,468 |
| Sales and use tax levied by state (1) | 35,111 | 34,031 | 32,604 | 30,061 | 28,856 |
| Other | 253 | 400 | - | 352 | 361 |
| Investment earnings | 1,128 | 123 | 2,802 | 1,620 | 5,927 |
| Gain on sale of capital assets | (3,712) | (1) | - | - | 8 |
| Miscellaneous | 3,042 | 2,411 | 974 | 1,083 | 172 |
| Special item | - | - | - | 3,270 | (288) |
| Proceeds of long-term debt | - | - | - | - | - |
| Extraordinary items | - | - | 75,350 | - | - |
| Transfers | 1,330 | 524 | 1,718 | 542 | 1,382 |
| Total governmental activities | 166,593 | 159,887 | 237,460 | 168,875 | 171,473 |
| Business-type activities: | | | | | |
| Other taxes | 1,166 | 1,197 | 1,205 | 1,152 | 1,095 |
| Grants and contributions not restricted to specific programs | - | - | - | - | - |
| Investment earnings | 1,448 | 530 | 1,865 | 3,176 | 4,192 |
| Gain on sale of capital assets | - | - | - | - | - |
| Miscellaneous | 431 | 14 | (18,012) | - | - |
| Special item | - | - | - | - | 288 |
| Transfers | (1,330) | (524) | (1,718) | (542) | (1,382) |
| Extraordinary items (2) | - | - | - | - | - |
| Total business-type activities | 1,715 | 1,217 | (16,660) | 3,786 | 4,193 |
| Total general revenues and other changes in net assets | 168,308 | 161,104 | 220,800 | 172,661 | 175,666 |
| Change in Net Position | | | | | |
| Governmental activities | 13,465 | 64,475 | 73,884 | (29,442) | (46,027) |
| Business-type activities | 53 | (547) | (4,298) | 7,561 | (4,000) |
| Total primary government | \$ 13,518 | \$ 63,928 | \$ 69,586 | \$ (21,881) | \$ (50,027) |

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

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| General Fund | | | | | |
| Nonspendable | \$ 3,621 | \$ 1,303 | \$ 1,539 | \$ 2,214 | \$ 810 |
| Restricted | 4,034 | 4,730 | 4,603 | 3,549 | 2,949 |
| Committed | 54,243 | 45,957 | 56,439 | 49,088 | 28,930 |
| Assigned | 4,144 | 2,227 | 3,922 | 5,467 | - |
| Unassigned | 37,990 | 36,265 | 36,184 | 33,326 | 38,639 |
| Total General Fund | <u>104,032</u> | <u>90,482</u> | <u>102,687</u> | <u>93,644</u> | <u>71,328</u> |
| All other governmental funds | | | | | |
| Nonspendable | 356 | 370 | | 373 | 382 |
| Restricted | 169,507 | 117,387 | 114,254 | 122,084 | 104,785 |
| Committed | - | - | | - | - |
| Assigned | - | - | | - | - |
| Unassigned | - | - | 3,232 | - | - |
| Total all other governmental funds | <u>169,863</u> | <u>117,757</u> | <u>117,486</u> | <u>122,457</u> | <u>105,167</u> |
| Total Fund Balance | <u>\$ 273,895</u> | <u>\$ 208,239</u> | <u>\$ 220,173</u> | <u>\$ 216,101</u> | <u>\$ 176,495</u> |

Notes:

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | |
|------------------------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| General Fund | | | | | |
| Nonspendable | \$ 500 | \$ 409 | \$ 355 | \$ 317 | \$ 13,466 |
| Restricted | 3,551 | 2,334 | 2,100 | 2,100 | 2,100 |
| Committed | 34,008 | 23,775 | 8,070 | 5,081 | 1,851 |
| Assigned | 3,059 | 1,710 | 4,111 | 4,758 | 5,730 |
| Unassigned | 9,751 | 3,093 | - | - | - |
| Total General Fund | <u>50,869</u> | <u>31,321</u> | <u>14,636</u> | <u>12,256</u> | <u>23,147</u> |
| All other governmental funds | | | | | |
| Nonspendable | 443 | 369 | 370 | 304 | 1,604 |
| Restricted | 81,435 | 75,157 | 83,636 | 115,700 | 228,190 |
| Committed | - | - | - | - | 67,466 |
| Assigned | - | - | - | - | 1,815 |
| Unassigned | (20,669) | (18,793) | (18,775) | (15,017) | (63,475) |
| Total all other governmental funds | <u>61,209</u> | <u>56,733</u> | <u>65,231</u> | <u>100,987</u> | <u>235,600</u> |
| Total Fund Balance | <u>\$ 112,078</u> | <u>\$ 88,054</u> | <u>\$ 79,867</u> | <u>\$ 113,243</u> | <u>\$ 258,747</u> |

Notes:

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property | \$ 35,342 | \$ 33,068 | \$ 32,411 | \$ 30,646 | \$ 29,573 |
| In lieu of sales tax | | 44 | | 8,775 | 9,816 |
| Utility user | 34,252 | 35,415 | 34,455 | 33,379 | 32,921 |
| Sales (levied by City) (1) | 57,911 | 52,788 | 42,506 | 39,070 | 37,208 |
| Franchise fees | 12,307 | 13,243 | 13,289 | 12,397 | 12,380 |
| Business license | 13,215 | 13,507 | 12,243 | 11,996 | 10,805 |
| Hotel/motel room | 3,377 | 3,193 | 2,997 | 2,711 | 2,378 |
| Document transfer | 1,071 | 1,126 | 801 | 856 | 587 |
| Other | 2,905 | 2,916 | 1,939 | 1,535 | 930 |
| Licenses and permits | 6,744 | 6,214 | 5,867 | 5,347 | 4,398 |
| Federal grants and subsidies | 16,517 | 13,235 | 12,859 | 10,470 | 21,796 |
| Other shared revenue (sales and use tax levied by state) (1) | 51,577 | 53,817 | 49,910 | 45,097 | 36,904 |
| Other governmental | 66,594 | 57,778 | 37,574 | 36,696 | 41,806 |
| Charges for services | 27,227 | 29,377 | 22,920 | 26,473 | 21,351 |
| Fines and forfeitures | 1,277 | 1,247 | 1,164 | 624 | 3,814 |
| Use of money and property | 12,460 | 9,528 | 8,197 | 8,172 | 9,318 |
| Investment income: | | | | | |
| Interest income | 11,758 | 1,063 | 1,762 | 3,088 | 916 |
| Refunds and reimbursements | 6,614 | 7,887 | 6,077 | 5,188 | 12,710 |
| Miscellaneous | 8,649 | 8,596 | 6,745 | 11,246 | 16,674 |
| Total revenues | 369,795 | 344,044 | 293,716 | 293,766 | 306,285 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 30,537 | 26,761 | 29,235 | 27,229 | 34,652 |
| Public safety | 189,824 | 184,426 | 171,073 | 150,853 | 141,542 |
| Public works | 19,793 | 18,852 | 15,818 | 14,861 | 14,152 |
| Library | 13,789 | 12,416 | 10,619 | 10,107 | 9,880 |
| Parks and recreation | 26,006 | 22,462 | 20,493 | 19,295 | 19,094 |
| Capital outlay | 35,158 | 51,210 | 31,407 | 23,857 | 31,345 |
| Debt service: | | | | | |
| Principal retirement | 11,477 | 2,204 | 13,593 | 3,325 | 8,217 |
| Cost of issuance | | - | | 2,119 | - |
| Interest and fiscal charges | 5,627 | 5,767 | 2,872 | | 3,229 |
| Total expenditures | 332,211 | 324,098 | 295,110 | 251,646 | 262,111 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 37,584 | \$ 19,946 | \$ (1,394) | \$ 42,120 | \$ 44,174 |

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

| | Fiscal Year | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Other financing sources (uses): | | | | | |
| Capital contributions | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transfers in | 31,310 | 19,077 | 23,347 | 15,916 | 16,860 |
| Transfers out | (29,479) | (37,913) | (12,966) | (18,810) | (20,235) |
| Transfers from successor Agency | | 734 | | | |
| Special Item (Note 18) | | 6,203 | | | |
| Bond insurers proceeds | | - | | - | 29,178 |
| Operating transfers out to a component unit | | - | | - | - |
| Proceeds of current refunding bonds | | - | | - | - |
| Sales of capital assets | 52 | 800 | 492 | 379 | 521 |
| Advances from other funds | | | | - | - |
| Payment to refunded bond escrow agent | | | | - | (6,080) |
| Total other financing sources (uses) | 1,884 | (11,099) | 10,873 | (2,515) | 20,244 |
| Special items | | | | - | - |
| Net change in fund balance | 39,468 | 8,847 | 9,479 | 39,605 | 64,417 |
| Fund balance, beginning of year, original | 234,427 | 225,581 | 216,100 | 176,495 | 112,078 |
| Prior period restatement | | | | - | - |
| Fund balance, beginning of year, restated | 234,427 | 225,581 | 216,100 | 176,495 | 112,078 |
| Fund balance, end of year | \$ 273,895 | \$ 234,427 | \$ 225,579 | \$ 216,100 | \$ 176,495 |
| Debt service as a percentage of noncapital expenditures | 6.1% | 3.0% | 6.7% | 2.4% | 5.2% |

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

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

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

| | Fiscal Year | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property | \$ 28,014 | \$ 29,420 | \$ 32,772 | \$ 41,051 | \$ 45,549 |
| In lieu of sales tax | 9,706 | 9,938 | 8,392 | 8,118 | 7,087 |
| Utility user | 32,369 | 31,941 | 31,505 | 30,994 | 30,717 |
| Sales (levied by City) (1) | 15,536 | 9,086 | 8,576 | 7,875 | 7,652 |
| Franchise fees | 11,981 | 11,677 | 12,465 | 11,503 | 11,354 |
| Business license | 10,392 | 10,153 | 9,873 | 9,855 | 9,717 |
| Hotel/motel room | 2,080 | 2,006 | 1,933 | 1,799 | 1,749 |
| Document transfer | 565 | 458 | 603 | 583 | 559 |
| Other | 728 | 287 | 159 | 155 | 203 |
| Licenses and permits | 3,808 | 3,696 | 4,024 | 3,584 | 4,257 |
| Federal grants and subsidies | 22,453 | 23,158 | 19,927 | 33,244 | 26,034 |
| Other shared revenue (sales and use tax levied by state) (1) | 35,111 | 34,031 | 32,604 | 30,061 | 28,856 |
| Other governmental | 47,951 | 71,746 | 66,985 | 47,929 | 47,779 |
| Charges for services | 19,410 | 19,059 | 21,655 | 21,262 | 26,174 |
| Fines and forfeitures | 2,925 | 2,419 | 2,792 | 3,538 | 5,090 |
| Use of money and property | 9,536 | 13,767 | 11,848 | 14,966 | 11,962 |
| Investment income: | | | | | |
| Interest income | 650 | 119 | 2,367 | 1,339 | 5,352 |
| Refunds and reimbursements | 2,401 | 1,814 | 3,213 | 9,790 | 5,186 |
| Miscellaneous | 7,707 | 6,942 | 6,088 | 7,594 | 8,449 |
| Total revenues | 263,323 | 281,717 | 277,781 | 285,240 | 283,726 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 25,510 | 23,245 | 22,742 | 30,900 | 21,818 |
| Public safety | 129,030 | 125,331 | 139,047 | 152,527 | 152,714 |
| Public works | 14,458 | 13,498 | 13,989 | 13,528 | 14,029 |
| Library | 9,793 | 9,039 | 9,537 | 10,252 | 11,041 |
| Parks and recreation | 17,202 | 17,733 | 16,887 | 19,669 | 17,948 |
| Capital outlay | 43,273 | 72,568 | 68,005 | 66,975 | 84,194 |
| Debt service: | | | | | |
| Principal retirement | 9,589 | 9,013 | 5,883 | 22,661 | 11,739 |
| Cost of issuance | - | - | - | - | 846 |
| Interest and fiscal charges | 4,661 | 5,957 | 13,531 | 12,706 | 12,523 |
| Total expenditures | 253,516 | 276,384 | 289,621 | 329,218 | 326,852 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 9,807 | \$ 5,333 | \$ (11,840) | \$ (43,978) | \$ (43,126) |

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

| | Fiscal Year | | | | |
|---|-------------------|------------------|------------------|-------------------|-------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Other financing sources (uses): | | | | | |
| Capital contributions | \$ - | \$ - | \$ - | \$ (284) | \$ - |
| Transfers in | 13,497 | - | - | - | - |
| Transfers out | (13,031) | 30,678 | 24,706 | 78,125 | 35,341 |
| Transfers from successor Agency | | (30,360) | (25,450) | (74,128) | (34,357) |
| Special Item (Note 18) | | | | | |
| Bond insurers proceeds | 7,800 | | | | |
| Operating transfers out to a component unit | - | 8,287 | - | - | - |
| Proceeds of current refunding bonds | - | - | 533 | 30 | 39,702 |
| Sales of capital assets | 200 | - | - | - | - |
| Advances from other funds | - | - | - | 1,127 | - |
| Payment to refunded bond escrow agent | - | - | - | - | (775) |
| Total other financing sources (uses) | 8,466 | 8,605 | (211) | 4,870 | 39,911 |
| Special items | - | - | (21,324) | 3,270 | (288) |
| Net change in fund balance | 18,273 | 13,938 | (33,375) | (35,838) | (3,503) |
| Fund balance, beginning of year, original | 93,806 | 79,869 | 113,244 | 258,748 | 262,250 |
| Prior period restatement | - | - | - | (109,666) | - |
| Fund balance, beginning of year, restated | 93,806 | 79,869 | 113,244 | 149,082 | 262,250 |
| Fund balance, end of year | \$ 112,078 | \$ 93,806 | \$ 79,869 | \$ 113,244 | \$ 258,748 |
| Debt service as a percentage of noncapital expenditures | 7.3% | 7.9% | 9.6% | 15.6% | 11.5% |

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

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

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

| | Fiscal Year | | | | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Property (1) | \$ 35,342 | \$ 33,068 | \$ 32,411 | \$ 30,646 | \$ 29,573 |
| In lieu of sales tax (2) | | 44 | | 8,775 | 9,816 |
| Utility user | 34,252 | 35,415 | 34,455 | 33,379 | 32,921 |
| Sales (levied by city) (3) | 57,911 | 52,788 | 42,506 | 39,070 | 37,208 |
| Franchise fees | 12,307 | 13,243 | 13,289 | 12,397 | 12,380 |
| Business licenses | 13,215 | 13,507 | 12,243 | 11,995 | 10,805 |
| Hotel/motel room | 3,377 | 3,193 | 2,997 | 2,711 | 2,378 |
| Document transfer | 1,071 | 1,126 | 801 | 856 | 587 |
| Other | 2,905 | 2,916 | | 1,535 | 930 |
| Totals | \$ 160,379 | \$ 155,301 | \$ 138,702 | \$ 141,364 | \$ 136,598 |

(1) Property taxes decreased beginning in 2009 due to declining residential home values and foreclosures, resulting in a devaluation of City's assessed valuation performed by San Joaquin County. Also, between 2008 and 2011, property taxes collected by the RDA was included in the City's property tax revenue.

(2) Effective with fiscal year 2005, the City began receiving property tax in-lieu of sales tax under provisions of Proposition 1A approved by the voters of the State of California. Fluctuations are due to the value of property when sold.

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | | % Change 2006 (or inception) to 2019 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 | |
| Property (1) | \$ 28,014 | \$ 29,420 | \$ 32,772 | \$ 41,051 | \$ 45,549 | -30% |
| In lieu of sales tax (2) | 9,706 | 9,938 | 8,392 | 8,118 | 7,087 | -100% |
| Utility user | 32,369 | 31,941 | 31,505 | 30,994 | 30,717 | 3% |
| Sales (levied by city) (3) | 15,536 | 9,086 | 8,576 | 7,875 | 7,652 | 431% |
| Franchise fees | 11,981 | 11,677 | 12,465 | 11,503 | 11,354 | 28% |
| Business licenses | 10,392 | 10,153 | 9,873 | 9,855 | 9,717 | 20% |
| Hotel/motel room | 2,080 | 2,006 | 1,933 | 1,799 | 1,749 | 47% |
| Document transfer | 565 | 458 | 603 | 583 | 559 | -44% |
| Other | 728 | 287 | 159 | 155 | 203 | 1238% |
| Totals | \$ 111,371 | \$ 104,966 | \$ 106,278 | \$ 111,933 | \$ 114,587 | 22% |

(1) Property taxes decreased beginning in 2009 due to declining residential home values and foreclosures, resulting in a devaluation of City's assessed valuation performed by San Joaquin County. Also, between 2008 and 2011, property taxes collected by the RDA was included in the City's property tax revenue.

(2) Effective with fiscal year 2005, the City began receiving property tax in-lieu of sales tax under provisions of Proposition 1A approved by the voters of the State of California. Fluctuations are due to the value of property when sold.

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

Source: City of Stockton Department of Administrative Services

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

| | Fiscal Year | | | | |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Secured roll | \$ 22,488,506 | \$ 21,378,475 | \$ 20,299,172 | \$ 19,473,994 | \$ 18,496,369 |
| Utility roll | 5,816 | 5,863 | 5,833 | 6,199 | 6,209 |
| Unsecured roll | 1,610,921 | 1,629,758 | 1,596,101 | 1,651,844 | 1,638,161 |
| Gross assessed value | 24,105,243 | 23,014,096 | 21,901,106 | 21,132,037 | 20,140,739 |
| Less exemptions (1) | 1,917,101 | 1,532,852 | 1,786,986 | 1,729,742 | 1,717,223 |
| Net assessed value | <u>22,188,142</u> | <u>21,481,244</u> | <u>20,114,120</u> | <u>19,402,295</u> | <u>18,423,516</u> |
| Land | 6,280,943 | 6,081,944 | 5,713,082 | 5,420,167 | 4,978,511 |
| Improvements | 16,582,837 | 15,666,837 | 15,004,037 | 14,501,054 | 13,928,278 |
| Personal property | 1,241,463 | 1,265,315 | 1,183,987 | 1,210,816 | 1,233,950 |
| Gross assessed value | 24,105,243 | 23,014,096 | 21,901,106 | 21,132,037 | 20,140,739 |
| Less exemptions (1) | 1,917,101 | 1,532,852 | 1,786,986 | 1,729,742 | 1,717,223 |
| Net assessed value | <u>\$ 22,188,142</u> | <u>\$ 21,481,244</u> | <u>\$ 20,114,120</u> | <u>\$ 19,402,295</u> | <u>\$ 18,423,516</u> |
| Total Direct Tax Rate | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

(1) For FY 2019, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$219,156 and other - \$1,697,945 = \$1,917,101

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

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

| | Fiscal Year | | | | |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Secured roll | \$ 16,981,109 | \$ 16,272,927 | \$ 16,575,192 | \$ 17,388,579 | \$ 18,339,819 |
| Utility roll | 6,228 | 7,504 | 7,204 | 7,119 | 7,081 |
| Unsecured roll | 1,557,131 | 1,566,497 | 1,566,928 | 1,606,951 | 1,628,749 |
| Gross assessed value | 18,544,468 | 17,846,928 | 18,149,324 | 19,002,649 | 19,975,649 |
| Less exemptions (1) | 1,699,348 | 1,608,513 | 1,654,143 | 1,584,109 | 1,514,454 |
| Net assessed value | <u>16,845,120</u> | <u>16,238,415</u> | <u>16,495,181</u> | <u>17,418,540</u> | <u>18,461,195</u> |
| Land | 4,597,437 | 4,019,017 | 4,168,722 | 4,461,053 | 4,817,327 |
| Improvements | 12,868,329 | 12,696,221 | 12,846,828 | 13,284,209 | 13,910,082 |
| Personal property | 1,078,702 | 1,131,690 | 1,133,774 | 1,257,387 | 1,248,240 |
| Gross assessed value | 18,544,468 | 17,846,928 | 18,149,324 | 19,002,649 | 19,975,649 |
| Less exemptions (1) | 1,699,348 | 1,608,513 | 1,654,143 | 1,584,109 | 1,514,454 |
| Net assessed value | <u>\$ 16,845,120</u> | <u>\$ 16,238,415</u> | <u>\$ 16,495,181</u> | <u>\$ 17,418,540</u> | <u>\$ 18,461,195</u> |
| Total Direct Tax Rate | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

(1) For FY 2019, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$219,156 and other - \$1,697,945 = \$1,917,101

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

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

| Fiscal Year | Basic Countywide Levy | City | Total Direct | Stockton Unified School District (1) | San Joaquin Delta College District | Total |
|--------------------|--------------------------------------|-------------|---------------------|---|---|--------------|
| 2019 | 1.0000 | - | 1.0000 | 0.2443 | 0.0225 | 1.2668 |
| 2018 | 1.0000 | - | 1.0000 | 0.2054 | 0.0180 | 1.2234 |
| 2017 | 1.0000 | - | 1.0000 | 0.2537 | 0.0180 | 1.2717 |
| 2016 | 1.0000 | - | 1.0000 | 0.2710 | 0.0198 | 1.2908 |
| 2015 | 1.0000 | - | 1.0000 | 0.2280 | 0.0233 | 1.2513 |
| 2014 | 1.0000 | - | 1.0000 | 0.2105 | 0.0194 | 1.2299 |
| 2013 | 1.0000 | - | 1.0000 | 0.1917 | 0.0202 | 1.2119 |
| 2012 | 1.0000 | - | 1.0000 | 0.1601 | 0.0200 | 1.1801 |
| 2011 | 1.0000 | - | 1.0000 | 0.1730 | 0.0194 | 1.1924 |
| 2010 | 1.0000 | - | 1.0000 | 0.1273 | 0.0180 | 1.1453 |

(1) Stockton Unified School District Building Loan Repayment.

Note: On June 6, 1978, California voters approved an amendment to the Article XIII A of the California Constitution. The amendment, commonly known as Proposition 13, limits the taxing power of California public agencies. The California Legislature enacted legislation to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) providing that local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted of \$1.00 per \$100.00 of full assessed value.

Source: San Joaquin County Tax Rate Book

City of Stockton
Table 8
Principal Property Taxpayers
Current Year and Ten Years Ago
(Dollar amounts in thousands)

| Taxpayer | Fiscal Year | | | | | |
|--|------------------------|------|--|------------------------|------|--|
| | 2019 | | | 2010 | | |
| | Taxable Assessed Value | Rank | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percent of Total City Taxable Assessed Value |
| Prologis | \$ 144,077 | 1 | 0.699% % | | | |
| Pacific Ethanol Stockton LLC | 140,976 | 2 | 0.684% | | | |
| Excel Stockton LLC | 129,092 | 3 | 0.627% | | | |
| Central Valley Indust core holdings LLC | 117,825 | 4 | 0.572% | | | |
| DTE Stockton LLC | 116,575 | 5 | 0.566% | | | |
| Ingredion Inc | 103,586 | 6 | 0.503% | | | |
| Patmon Company Inc | 92,465 | 7 | 0.449% | | | |
| Diamond Foods Inc | 72,930 | 8 | 0.354% | | | |
| Simpson Manufacturing Co Inc | 72,267 | 9 | 0.351% | 88,613 | 3 | 0.525 % |
| Hp-A Gibraltar LLC | 69,957 | 10 | 0.340% | | | |
| Levine Investments Ltd PTP/Pacific Companies | | | | 103,750 | 1 | 0.615 % |
| Kyoho Manufactruing California Copr | | | | 91,377 | 2 | 0.542 % |
| Arch Road Limited Partnership | | | | 80,762 | 4 | 0.479 % |
| Diamond Walnut Growers Inc | | | | 69,376 | 5 | 0.411 % |
| Corn Products International Inc | | | | 64,963 | 6 | 0.385 % |
| Fine American Trust | | | | 58,891 | 7 | 0.349 % |
| Inland Western Stockton Airport Way | | | | 50,777 | 8 | 0.301 % |
| Stonecreek Village Shopping Center LLC | | | | 45,561 | 9 | 0.270 % |
| Sherwood Mall LLC | | | | 44,052 | 10 | 0.261 % |
| Principal Secured Property Valuation | 1,059,750 | | 5.145 % | 698,122 | | 4.139 % |
| Other Secured Taxpayers | 21,428,756 | | 104.024 | 17,641,697 | | 104.588 |
| Total Secured Property Valuation Before Exemptions | 22,488,506 | | 109.169 % | 18,339,819 | | 108.727 % |
| Less Exemptions relative to secured tax roll (1) | 1,888,742 | | 9.169 | 1,472,073 | | 8.727 |
| Total Secured Property Valuation | \$ 20,599,764 | | 100.000 % | \$ 16,867,746 | | 100.000 % |

(1) Exemptions relative to secured tax roll: FY 2019- homeowners - \$219,068 and other - \$1,669,674 = \$1,888,742
FY 2010 - homeowners - \$253,091 and other - \$1,218,918= \$1,472,073

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold. At that point, the purchase price becomes the new assessed value. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Assessor's Office
San Joaquin County Auditor-Controller's Office

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

| Fiscal Year | Secured Taxes Levied for the Fiscal Year | Collected Within the Fiscal Year of the Levy | | | Total Collections to Date | | |
|-------------|--|--|---------------------|---------------------------------|---------------------------|-----------------|--|
| | | Amount | Percent of Levy (1) | Collections in Subsequent Years | Amount | Percent of Levy | |
| 2019 | \$ 33,521 | \$ 33,521 | 100 % | - | \$ 33,521 | 100 % | |
| 2018 | \$ 31,193 | \$ 31,193 | 100 % | - | \$ 31,193 | 100 % | |
| 2017 | \$ 30,495 | \$ 30,495 | 100 % | - | \$ 30,495 | 100 % | |
| 2016 | \$ 28,907 | \$ 28,907 | 100 % | - | \$ 28,907 | 100 % | |
| 2015 | \$ 27,852 | \$ 27,852 | 100 % | - | \$ 27,852 | 100 % | |
| 2014 | \$ 25,952 | \$ 25,952 | 100 % | - | \$ 25,952 | 100 % | |
| 2013 | \$ 24,745 | \$ 24,745 | 100 % | - | \$ 24,745 | 100 % | |
| 2012 | \$ 24,785 | \$ 24,785 | 100 % | - | \$ 24,785 | 100 % | |
| 2011 | \$ 26,519 | \$ 26,519 | 100 % | - | \$ 26,519 | 100 % | |
| 2010 | \$ 22,150 | \$ 22,150 | 100 % | - | \$ 22,150 | 100 % | |

(1) Per agreement with San Joaquin County; the County provides the City of Stockton with 100% of the amount owed to the City of Stockton for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of delinquency and penalty revenues collected.

Source: San Joaquin County Auditor-Controller's Office

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

| | Fiscal Year | | | | |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| <u>Type of Customer</u> | | | | | |
| Residential | 7,669,451 cf | 8,231,972 cf | 7,289,614 cf | 7,088,802 cf | 8,220,045 cf |
| Institutional | 789,265 | 632,738 | 573,873 | 442,461 | 608,940 |
| Commercial/Industrial | 1,645,890 | 1,640,471 | 1,512,098 | 1,429,848 | 1,598,432 |
| Irrigation | <u>1,294,982</u> | <u>1,310,062</u> | <u>1,110,614</u> | <u>861,094</u> | <u>1,344,966</u> |
| Total | <u><u>11,399,588</u></u> cf | <u><u>11,815,243</u></u> cf | <u><u>10,486,199</u></u> cf | <u><u>9,822,205</u></u> cf | <u><u>11,772,383</u></u> cf |

1 cubic foot (cf) = 7.481 gallons

Source: City of Stockton Department of Administrative Services

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

| Fiscal Year | Water | | | Wastewater |
|--------------------|--------------------------|---------------------------------------|---------------------------------------|--------------------------|
| | Monthly Base Rate | Tier 1 Additional Per 100 cf** | Tier 2 Additional Per 100 cf** | Monthly Base Rate |
| 2019 | \$ 31.95 | \$ 2.31 | \$ 2.76 | \$ 38.36 |
| 2018 | \$ 31.00 | \$ 2.23 | \$ 2.66 | \$ 38.36 |
| 2017 | \$ 28.00 | \$ 2.00 | \$ 2.39 | \$ 38.36 |
| 2016 | \$ 22.25 | \$ 1.67 | \$ - | \$ 37.76 |
| 2015 | \$ 21.90 | \$ 1.64 | \$ - | \$ 37.09 |
| 2014 | \$ 21.51 | \$ 1.61 | \$ - | \$ 34.03 |
| 2013 | \$ 21.15 | \$ 1.58 | \$ - | \$ 31.22 |
| 2012 | \$ 20.00 | \$ 1.40 | \$ - | \$ 28.64 |
| 2011 | \$ 18.80 | \$ 1.21 | \$ - | \$ 24.69 |
| 2010 | \$ 17.65 | \$ 1.02 | \$ - | \$ 20.75 |

*Effective 8/01/2016-Water Consumption Tier 1 0-15 CF and Tier 2 15+CF.
100 cf = 100 cubic feet (748 gallons)

Rates are based on 1" and less meter, which is the standard household meter size.

**The Utility charges an excess use rate above normal demand.

Source: City of Stockton Department of Administrative Services



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

| Governmental Activities* | | | | | | |
|--------------------------|-----------------------|-------------------------------------|---|--|-------------------|-------------------------------------|
| Fiscal Year | Revenue* Bonds (1) | Certificates of Participation | Redevelopment Agency Revenue Bonds* | Notes Payable / Equip. Leases / Settlements | Pension Bonds* | Total Governmental Activities |
| 2019 | \$ - | \$ - | \$ 95,560 | \$ 9,990 | \$ 53,478 | \$ 159,028 |
| 2018 | \$ 9,425 | \$ - | \$ 99,125 | \$ 15,853 | \$ 53,547 | \$ 177,950 |
| 2017 | \$ 9,915 | \$ - | \$ 103,320 | \$ 18,130 | \$ 53,589 | \$ 184,954 |
| 2016 | \$ 10,385 | \$ 11,500 | \$ 111,424 | \$ 18,298 | \$ 53,606 | \$ 205,213 |
| 2015 | \$ 10,835 | \$ 11,890 | \$ 113,262 | \$ 18,095 | \$ 54,530 | \$ 208,612 |
| 2014 | \$ 75,285 | \$ 12,265 | \$ 119,210 | \$ 20,157 | \$ 121,770 | \$ 348,687 |
| 2013 | \$ 81,465 | \$ 12,625 | \$ 122,100 | \$ 25,326 | \$ 123,350 | \$ 364,866 |
| 2012 | \$ 87,520 | \$ 12,970 | \$ 124,695 | \$ 26,625 | \$ 124,280 | \$ 376,090 |
| 2011 | \$ 88,050 | \$ 13,300 | \$ 127,200 | \$ 29,353 | \$ 124,660 | \$ 382,563 |
| 2010 | \$ 88,560 | \$ 13,300 | \$ 145,855 | \$ 42,881 | \$ 124,910 | \$ 415,506 |

*Includes settlement amounts for debts adjusted under Chapter 9 of the US Bankruptcy Code.

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

(1) These ratios are calculated using the latest available data, personal income for fiscal year 2017 and population for fiscal year

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

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

| Business-type Activities | | | | | | | | | | |
|---------------------------------|----------------------|--------------------------------------|----------------------|---------------------------------------|--------------|---|---------------------------------------|------------------------------|--|--|
| Fiscal Year | Revenue Bonds | Certificates of Participation | Notes Payable | Total Business-type Activities | Total | Personal Income (thousands of dollars) | Percent of Personal Income (2) | Amount Per Capita (2) | | |
| 2019 | \$ 279,039 | \$ - | \$ 10,870 | \$ 289,909 | \$ 448,937 | \$ 31,920,000 | 1.41 % | \$ 1,419 | | |
| 2018 | \$ 312,700 | \$ - | \$ 10,870 | \$ 323,570 | \$ 501,520 | \$ 21,591,742 | 2.32 % | \$ 1,592 | | |
| 2017 | \$ 326,165 | \$ - | \$ 10,870 | \$ 337,035 | \$ 521,989 | \$ 28,150,538 | 1.85 % | \$ 1,628 | | |
| 2016 | \$ 336,218 | \$ - | \$ 10,954 | \$ 347,172 | \$ 552,385 | \$ 21,591,742 | 2.56 % | \$ 1,750 | | |
| 2015 | \$ 343,926 | \$ - | \$ 11,040 | \$ 354,966 | \$ 563,578 | \$ 21,591,742 | 2.61 % | \$ 1,836 | | |
| 2014 | \$ 284,225 | \$ 81,270 | \$ 11,123 | \$ 376,618 | \$ 725,305 | \$ 21,591,742 | 3.36 % | \$ 2,410 | | |
| 2013 | \$ 289,360 | \$ 84,500 | \$ 11,202 | \$ 385,062 | \$ 749,928 | \$ 21,591,743 | 3.47 % | \$ 2,531 | | |
| 2012 | \$ 293,425 | \$ 87,590 | \$ 11,276 | \$ 392,291 | \$ 768,381 | \$ 21,591,743 | 3.56 % | \$ 2,598 | | |
| 2011 | \$ 294,370 | \$ 90,545 | \$ 11,600 | \$ 396,515 | \$ 779,078 | \$ 21,133,128 | 3.69 % | \$ 2,654 | | |
| 2010 | \$ 240,245 | \$ 90,545 | \$ 545 | \$ 331,335 | \$ 746,841 | 19,286,001 | 3.87 % | \$ 2,557 | | |

*Includes settlement amounts for debts adjusted under Chapter 9 of the US Bankruptcy Code.

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

(1) These ratios are calculated using the latest available data, personal income for fiscal year 2017 and population for fiscal year 2019.

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

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

| General Bonded Debt Outstanding* | | | | | | | | |
|---|------------------------------------|--|---|--|--------------|---|----------------------------------|--|
| Fiscal Year | Lease Revenue Bonds | Certificates of Participation (2) | Pension Obligation Bonds (1) | Redevelopment Agency Bonds* | Total | Percent of Assessed Property Value | Amount Per Capita | |
| 2019 | \$ - | \$ - | \$ 53,478 | \$ - | \$ 53,478 | 0.002 % | \$ 0.17 | |
| 2018 | \$ 9,425 | \$ - | \$ 53,547 | \$ - | \$ 62,972 | 0.003 % | \$ 0.20 | |
| 2017 | \$ 9,915 | \$ - | \$ 53,589 | \$ - | \$ 63,504 | 0.003 % | \$ 0.20 | |
| 2016 | \$ 10,385 | \$ 11,500 | \$ 53,606 | \$ - | \$ 75,491 | 0.004 % | \$ 0.24 | |
| 2015 | \$ 10,835 | \$ 11,890 | \$ 54,529 | \$ - | \$ 77,254 | 0.004 % | \$ 0.25 | |
| 2014 | \$ 75,285 | \$ 12,265 | \$ 121,770 | \$ 119,210 | \$ 328,530 | 0.020 % | \$ 1.09 | |
| 2013 | \$ 81,465 | \$ 12,625 | \$ 123,350 | \$ 122,100 | \$ 339,540 | 0.021 % | \$ 1.15 | |
| 2012 | \$ 87,520 | \$ 12,970 | \$ 124,280 | \$ 124,695 | \$ 349,465 | 0.021 % | \$ 1.18 | |
| 2011 | \$ 88,050 | \$ 13,300 | \$ 124,660 | \$ 127,200 | \$ 353,210 | 0.020 % | \$ 1.20 | |
| 2010 | \$ 88,560 | \$ 13,300 | \$ 124,910 | \$ 145,855 | \$ 372,625 | 0.020 % | \$ 1.28 | |

* Redevelopment Agency Bonds are no longer included in the General Bonded debt

(1)Includes settlement amounts for debts adjusted under Chapter 9 of the US Bankruptcy Code.

(2)General Fund liability limited to only 80.5% of amounts due on principal shown

General bonded debt is payable with governmental fund resources. General obligation bonds (of which the City has none) are backed by the taxing authority of the City (taxes may be raised to provide resources for debt service payments.)

Source: City of Stockton Department of Administrative Services
San Joaquin County Auditor-Controller's Office
State of California, Department of Finance

City of Stockton

Table 14

Direct and Overlapping Governmental Activities Debt

| | Total Debt 6/30/2019 | Percentage Applicable (1) | City's share of Debt 6/30/2019 |
|--|-------------------------|------------------------------|-----------------------------------|
| OVERLAPPING TAX AND ASSESSMENT DEBT: | | | |
| San Joaquin Delta Community College District | \$ 198,475,000 | 27.617 % | \$ 54,812,841 |
| Stockton Unified School District | 420,022,362 | 84.970 | 356,893,001 |
| Lodi Unified School District | 145,245,000 | 33.695 | 48,940,303 |
| Lodi Unified School District School Facilities Improvement District No. 1 | 39,845,000 | 85.053 | 33,889,368 |
| Lincoln Unified School District | 75,798,907 | 86.722 | 65,734,328 |
| Lincoln Unified School District Community Facilities District No. 1 | 20,316,567 | 80.007 | 16,254,676 |
| Manteca Unified School District | 147,964,885 | 13.575 | 20,086,233 |
| Manteca Unified School District Community Facilities District No. 1989-1 | 16,483,436 | 100.000 | 16,483,436 |
| Tracy Joint Unified School District and School Facilities Improvement Dist. No.3 | 126,349,900 | 0.004 & 0.008 | 8,650 |
| City of Stockton Community Facilities District No. 99-02 | 24,210,000 | 100.000 | 24,210,000 |
| City of Stockton Community Facilities District No. 2001-1 (Spanos Park West) | 12,470,412 | 100.000 | 12,470,412 |
| City of Stockton Community Facilities District No. 2003-1 | 1,823,195 | 100.000 | 1,823,195 |
| City of Stockton Community Facilities District No. 2006-1 | 2,570,094 | 100.000 | 2,570,094 |
| City of Stockton Community Facilities District No. 2006-3 | 4,832,432 | 100.000 | 4,832,432 |
| City of Stockton Community Facilities District No. 2018-1 | 3,535,000 | 100.000 | 3,535,000 |
| City of Stockton 1915 Act Bonds | 21,636,307 | 100.000 | 21,636,307 |
| Reclamation District No. 2042 Community Facilities District No. 2001-1 | 5,134,408 | 18.211 | 935,027 |
| San Joaquin County Reclamation District No. 17 Assessment District | 22,689,592 | 27.618 | 6,266,412 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | 691,381,715 |
| OVERLAPPING GENERAL FUND DEBT: | | | |
| San Joaquin County Certificates of Participation | 81,070,000 | 30.172 % | 24,460,440 |
| Lincoln Unified School District Certificates of Participation | 3,825,846 | 86.722 | 3,317,850 |
| Lodi Unified School District Certificates of Participation | 14,170,000 | 33.695 | 4,774,582 |
| Manteca Unified School District General Fund Obligations | 21,967,000 | 13.575 | 2,982,020 |
| Stockton Unified School District Certificates of Participation | 29,155,000 | 84.970 | 24,773,004 |
| City of Stockton Capital Lease Obligations | 599,880 | 100.000 | 599,880 |
| City of Stockton Bond Insurer Settlement Agreement Liability | 53,477,663 | 100.000 | 53,477,663 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | | 114,385,439 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency): | | | |
| 2016 Tax Allocation Revenue Bonds Series A | 73,310,000 | 100.000 % | 73,310,000 |
| 2016 Tax Allocation Revenue Bonds Series B | 22,250,000 | 100.000 | 22,250,000 |
| TOTAL OVERLAPPING TAX INCREMENT DEBT | | | 95,560,000 |
| TOTAL DIRECT DEBT | | | 54,077,543 |
| TOTAL OVERLAPPING DEBT | | | 847,249,611 |
| GROSS COMBINED TOTAL DEBT (2) | | | 901,327,154 |
| 2018-19 Assessed Valuation (3): | \$ 22,407,298,096 | | |
| (after deducting \$1,582,650,446 Other Exemptions Valuation) | | | |
| 2018-19 Population | 316,410 | | |
| Debt Ratios | | Per Capita | Value |
| Total Gross Debt (2) | \$ 901,327,154 | \$ 2,849 | 4.02 % |
| Ratios to 2018-19 Assessed Valuation: Total Overlapping Tax and Assessment Debt | 691,381,715 | 2,185 | 3.09 |
| Ratios to Adjusted Assessed Valuation: Combined Direct Debt | 54,077,543 | 171 | 0.24 |

(1) Percent of overlapping agency's assessed valuation located within boundaries of the City.

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

(3) Represents Gross Assessed Valuation after deducting \$1,582,650,446

Sources: California Municipal Statistics, Inc., San Francisco, CA

San Joaquin County Auditor-Controller's Office

State of California, Department of Finance, Demographic Research Unit

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

| | Fiscal Year | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Assessed valuation (1) | \$ 22,407,298 | \$ 21,362,446 | \$ 20,337,129 | \$ 19,628,594 | \$ 18,653,199 |
| Conversion percentage | 25% | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 5,601,825 | 5,340,612 | 5,084,282 | 4,907,149 | 4,663,300 |
| Debt limit percentage | 15% | 15% | 15% | 15% | 15% |
| Debt Limit | 840,274 | 801,092 | 762,642 | 736,072 | 699,495 |
| Total net debt applicable to limit | - | - | - | - | - |
| Legal debt margin | <u>\$ 840,274</u> | <u>\$ 801,092</u> | <u>\$ 762,642</u> | <u>\$ 736,072</u> | <u>\$ 699,495</u> |
| Legal debt margin/debt limit | 100% | 100% | 100% | 100% | 100% |

(1) Reflects City assessed valuation excluding other exemptions of \$1,454,976,489. Redevelopment Agency was dissolved in 2013.

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries, adjusted for subsequent legislative actions. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal limit. The City of Stockton does carry bonded debt secured by special assessments and other revenue sources, but at this time, doesn't have any outstanding general obligation bonds. The City is not at risk of exceeding its legal debt limit.

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

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

| | Fiscal Year | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Assessed valuation (1) | \$ 17,079,491 | \$ 16,479,102 | \$ 15,572,567 | \$ 16,340,562 | \$ 16,957,547 |
| Conversion percentage | 25% | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 4,269,873 | 4,119,776 | 3,893,142 | 4,085,141 | 4,239,387 |
| Debt limit percentage | 15% | 15% | 15% | 15% | 15% |
| Debt Limit | 640,481 | 617,966 | 583,971 | 612,771 | 635,908 |
| Total net debt applicable to limit | - | - | - | - | - |
| Legal debt margin | <u>\$ 640,481</u> | <u>\$ 617,966</u> | <u>\$ 583,971</u> | <u>\$ 612,771</u> | <u>\$ 635,908</u> |
| Legal debt margin/debt limit | 100% | 100% | 100% | 100% | 100% |

(1) Reflects City assessed valuation excluding other exemptions of \$1,454,976,489. Redevelopment Agency was dissolved in 2013.

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries, adjusted for subsequent legislative actions. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal limit. The City of Stockton does carry bonded debt secured by special assessments and other revenue sources, but at this time, doesn't have any outstanding general obligation bonds. The City is not at risk of exceeding its legal debt limit.

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

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

| Fiscal Year | Gross Revenues (1) | Less: Operating Expenses (2) | Net Available Revenue | Debt Service | | | Debt Coverage Ratio |
|----------------------------|--------------------|------------------------------|-----------------------|--------------|-----------|-----------|---------------------|
| | | | | Principal | Interest | Total | |
| Water Revenue Bonds | | | | | | | |
| 2019 | \$ 54,172 | \$ 25,163 | \$ 29,009 | \$ 5,000 | \$ 11,814 | \$ 16,814 | 1.73 |
| 2018 | \$ 53,997 | \$ 22,595 | \$ 31,402 | \$ 4,955 | \$ 12,686 | \$ 17,641 | 1.78 |
| 2017 | \$ 43,643 | \$ 23,798 | \$ 19,845 | \$ 83 | \$ 12,798 | \$ 12,881 | 1.54 |
| 2016 | \$ 37,906 | \$ 23,312 | \$ 14,594 | \$ 87 | \$ 13,242 | \$ 13,329 | 1.09 * |
| 2015 | \$ 42,416 | \$ 22,830 | \$ 19,586 | \$ 4,263 | \$ 13,397 | \$ 17,660 | 1.11 * |
| 2014 | \$ 38,991 | \$ 19,762 | \$ 19,229 | \$ 3,939 | \$ 12,116 | \$ 16,055 | 1.20 |
| 2013 | \$ 40,601 | \$ 21,652 | \$ 18,949 | \$ 3,780 | \$ 10,139 | \$ 13,919 | 1.36 |
| 2012 | \$ 35,914 | \$ 20,055 | \$ 15,859 | \$ 711 | \$ 2,146 | \$ 2,857 | 5.55 |
| 2011 | \$ 34,245 | \$ 19,987 | \$ 14,258 | \$ 688 | \$ 8,839 | \$ 9,527 | 1.50 |
| 2010 | \$ 29,131 | \$ 17,546 | \$ 11,585 | \$ 655 | \$ 3,199 | \$ 3,854 | 3.01 |

Note: Net Available Revenue for the Water Bonds provides a 3.35 debt coverage ratio for the senior lien issues and a 1.16 debt coverage ratio for the subordinate lien issues.

(Continued)

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

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

| Fiscal Year | Gross Revenues (1) | Less: Operating Expenses (2) | Net Available Revenue | Debt Service | | | Debt Coverage Ratio |
|---|--------------------|------------------------------|-----------------------|--------------|----------|----------|---------------------|
| | | | | Principal | Interest | Total | |
| Wastewater Certificates of Participation | | | | | | | |
| 2019 | \$ 70,849 | \$ 42,197 | \$ 28,652 | \$ 3,635 | \$ 2,860 | \$ 6,495 | 4.41 |
| 2018 | \$ 70,938 | \$ 41,977 | \$ 28,961 | \$ 3,490 | \$ 3,002 | \$ 6,492 | 4.46 |
| 2017 | \$ 68,597 | \$ 43,201 | \$ 25,396 | \$ 3,345 | \$ 3,139 | \$ 6,484 | 3.92 |
| 2016 | \$ 70,532 | \$ 43,730 | \$ 26,802 | \$ 3,230 | \$ 3,254 | \$ 6,484 | 4.13 |
| 2015 | \$ 57,321 | \$ 39,698 | \$ 17,623 | \$ 3,390 | \$ 3,217 | \$ 6,607 | 2.67 |
| 2014 | \$ 61,230 | \$ 40,173 | \$ 21,057 | \$ 3,230 | \$ 4,143 | \$ 7,373 | 2.86 |
| 2013 | \$ 56,316 | \$ 35,423 | \$ 20,893 | \$ 3,090 | \$ 4,287 | \$ 7,377 | 2.83 |
| 2012 | \$ 51,708 | \$ 35,206 | \$ 16,502 | \$ 2,955 | \$ 4,417 | \$ 7,372 | 2.24 |
| 2011 | \$ 45,152 | \$ 33,325 | \$ 11,827 | \$ - | \$ 4,480 | \$ 4,480 | 2.64 |
| 2010 | \$ 39,716 | \$ 30,094 | \$ 9,622 | \$ 2,720 | \$ 4,659 | \$ 7,379 | 1.30 |

Includes all nongeneral obligation long term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in the Note 7 - Long-Term Debt of these financial statements.

(1) Total operating expenses exclusive of depreciation and amortization.

Source: City of Stockton Department of Administrative Services

City of Stockton
Table 17
Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population | Personal Income (millions of dollars) | Per Capita Personal Income | Unemployment Rate | Labor Force (1) | Total Housing Units | Household Average Size | Median Family Income | School Enrollment (2) |
|-------------|------------|---------------------------------------|----------------------------|-------------------|-----------------|---------------------|------------------------|----------------------|-----------------------|
| 2019 | 316,410 | \$ 13,549 | \$ 42,822 | 7.0 % | 129,000 | 100,877 | 3.39 | \$ 48,396 | 105,705 |
| 2018 | 315,103 | \$ 12,748 | \$ 40,458 | 6.3 % | 134,500 | 100,593 | 3.15 | \$ 46,033 | 99,347 |
| 2017 | 320,554 | \$ 12,428 | \$ 38,770 | 7.3 % | 127,000 | 100,254 | 3.23 | \$ 44,797 | 71,491 |
| 2016 | 315,592 | \$ 11,404 | \$ 36,136 | 8.3 % | 127,900 | 100,146 | 3.20 | \$ 45,347 | 71,738 |
| 2015 | 306,999 | \$ 10,670 | \$ 34,755 | 8.5 % | 127,000 | 100,097 | 3.23 | \$ 46,831 | 66,037 |
| 2014 | 300,899 | \$ 9,937 | \$ 33,024 | 12.8 % | 125,600 | 100,025 | 3.23 | \$ 47,246 | 69,183 |
| 2013 | 296,344 | \$ 9,191 | \$ 31,013 | 14.8 % | 124,800 | 100,003 | 3.20 | \$ 47,246 | 67,997 |
| 2012 | 295,707 | \$ 9,171 | \$ 31,013 | 17.0 % | 125,400 | 99,925 | 3.19 | \$ 47,365 | 68,568 |
| 2011 | 293,515 | \$ 9,020 | \$ 30,732 | 20.0 % | 128,400 | 99,637 | 3.16 | \$ 47,797 | 88,258 |
| 2010 | 292,133 | \$ 9,105 | \$ 31,166 | 19.8 % | 131,000 | 97,085 | 3.09 | \$ 63,100 | 87,186 |

(1) Labor Force corrected for FY 15, FY 16, FY 17 which reported previously as San Joaquin County labor force , corrected to State, the City of Stockton labor force only.

(2) College and Graduate School Enrollment numbers for 2019 were unavailable, FY 18 enrollment used for statistical reporting

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic Analysis uses the Census Bureau's annual midyear population estimates.

Sources: City of Stockton Department of Administrative Services & Community Development Department
 CA Dept. of Finance and Employment Development Department
 US Dept. of Commerce, Bureau of Economic Analysis
 US Census Bureau
 CA Dept. of Education

City of Stockton
Table 18
Principal Employers
Current Year and Ten Years Ago

| <u>Employer</u> | 2019 | | | 2010 | | |
|----------------------------------|------------------|-------------|---|------------------|-------------|---|
| | <u>Employees</u> | <u>Rank</u> | <u>Percent of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percent of Total City Employment</u> |
| St. Joseph's Medical Center | 4,600 | 1 | 1.45% | 2,230 | 3 | 1.70% |
| Stockton Unified School District | 3,897 | 2 | 1.23% | 4,000 | 2 | 3.05% |
| Amazon | 2,000 | 3 | 0.63% | | | |
| City of Stockton | 1,933 | 4 | 0.61% | 1,425 | 7 | 1.09% |
| Dameron Hospital | 1,200 | 5 | 0.38% | 1,200 | 8 | 0.92% |
| Kaiser Permanente | 1,065 | 6 | 0.34% | | | |
| University of the Pacific | 1,021 | 7 | 0.32% | 966 | 10 | 0.74% |
| San Joaquin Delta College | 993 | 8 | 0.31% | | | |
| Lincoln Unified School District | 857 | 9 | 0.27% | | | |
| O'Reilly Auto Parts | 600 | 10 | 0.19% | | | |
| San Joaquin County | | | | 5,938 | 1 | 4.53% |
| Diamond Walnut | | | | 1,467 | 6 | 1.12% |
| North California Youth Center | | | | 1,000 | 9 | 0.76% |
| O-G Packing Company | | | | 2,001 | 4 | 1.53% |
| Division of Juvenile Justice | | | | 1,492 | 5 | 1.14% |
| Total | 18,166 | | 5.75% | 21,719 | | 16.58% |

Note: Principal employers are based on best available information.

Sources: San Joaquin Partnership Survey, August 2019
City of Stockton CAFR, 2010

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

| | Fiscal Year | | | | |
|-------------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Function/Program/Department: | | | | | |
| Admin Svcs | 73 | 74 | 76 | 65 | 59 |
| City Attorney | 10 | 11 | 11 | 9 | 10 |
| City Clerk | 5 | 6 | 7 | 7 | 7 |
| City Council/Mayor | 3 | 3 | 3 | 1 | 1 |
| City Manager | 28 | 28 | 28 | 25 | 20 |
| Community Development | 38 | 32 | 30 | 33 | 29 |
| Community Services | 98 | 101 | 79 | 82 | 78 |
| Human Resources | 25 | 27 | 29 | 28 | 26 |
| Information Technology | 40 | 41 | 39 | 36 | 35 |
| Police: | | | | | |
| Sworn | 469 | 470 | 445 | 411 | 387 |
| Non-sworn | 193 | 193 | 195 | 179 | 168 |
| Animal control | 11 | 12 | 12 | 12 | 13 |
| Total Police | <u>673</u> | <u>675</u> | <u>652</u> | <u>602</u> | <u>568</u> |
| Fire: | | | | | |
| Firefighters-sworn | 177 | 169 | 171 | 168 | 160 |
| Firefighters-auxiliary | 32 | 20 | 37 | 22 | 28 |
| Non-sworn personnel | 30 | 25 | 24 | 24 | 24 |
| Total Fire | <u>239</u> | <u>214</u> | <u>232</u> | <u>214</u> | <u>212</u> |
| Public Works | 141 | 142 | 143 | 142 | 140 |
| Economic Development | 17 | 17 | 14 | 18 | 17 |
| Water Utility | 47 | 44 | 43 | 45 | 49 |
| Wastewater Utility | 144 | 145 | 153 | 149 | 138 |
| Stormwater Utility | 4 | 3 | - | 2 | 7 |
| Total | <u><u>1585</u></u> | <u><u>1,563</u></u> | <u><u>1,539</u></u> | <u><u>1,458</u></u> | <u><u>1,396</u></u> |

Source: City of Stockton Human Resources Department

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

| | Fiscal Year | | | | |
|--|-------------|-----------|-----------|-----------|---------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| General government: | | | | | |
| Building permits issued | 7,380 | 7,538 | 7,132 | 2,537 | 6,576 |
| Business tax certificates: | | | | | |
| Retail sales and service | 5,707 | 4,786 | 4,782 | 6,228 | 5,908 |
| Rental Properties - Commercial and Residential | 4,165 | 4,062 | 4,399 | 4,700 | 4,485 |
| Wholesale | 404 | 387 | 282 | 424 | 390 |
| Manufacturers and processors | 159 | 139 | 188 | 179 | 156 |
| Professions | 1,614 | 1,614 | 1,872 | 1,809 | 1,856 |
| Miscellaneous contractors, peddlers, delivery vehicles, etc. | 4,579 | 6,419 | 4,430 | 4,534 | 4,018 |
| Improvement district and hotel/motel room tax | | 40 | 39 | 46 | 42 |
| Utility billing/customer service: | | | | | |
| Utility bills issued | 1,051,220 | 1,169,160 | 1,100,374 | 1,091,429 | 636,359 |
| Utility accounts opened and closed | 20,818 | 23,828 | 23,188 | 27,214 | 16,635 |
| New service locations (water) added | 245 | 185 | 109 | 124 | 107 |
| Delinquency Notices Sent - Active Accounts | 82,303 | 82,660 | 81,725 | 85,752 | 80,682 |
| Water Service Terminated for Non-Payment | 4,989 | 4,921 | 4,796 | 4,489 | 6,674 |
| Utility customer service calls received | 54,695 | 54,613 | 41,717 | 62,178 | 56,549 |
| Utility customers using automated voice response | 849,706 | 895,369 | 845,359 | 45,026 | 291,065 |
| Utility Customers Using Online Pmt/Account Access | 32,893 | 32,960 | 33,068 | 39,369 | 35,614 |
| Miscellaneous accounts receivable bills issued | 37,057 | 35,880 | 47,199 | 30,748 | 45,157 |
| Public safety: | | | | | |
| Police: | | | | | |
| Major reported crimes | 17,233 | 15,613 | 15,940 | 16,871 | 16,943 |
| Total arrests | 10,945 | 11,543 | 11,497 | 10893 | 11,278 |
| Dispatched calls for service | 183,834 | 186,795 | 149,527 | 129,602 | 123,737 |
| Fire: | | | | | |
| Interior structure fire calls | 364 | 338 | 377 | 356 | 363 |
| Non-structural fire calls | 3,254 | 3,022 | 2,296 | 2,019 | 1,668 |
| Hazardous materials calls | 331 | 259 | 232 | 527 | 226 |
| Emergency medical calls | 26,129 | 27,105 | 26,777 | 22,933 | 18,686 |
| Total emergency calls | 51,613 | 47,179 | 45,551 | 39,613 | 35,748 |
| Total number of units dispatched | 61,026 | 50,614 | 54,414 | 47,284 | 47,467 |
| Public works: | | | | | |
| Miles of streets resurfaced | 7 | 6 | 5 | 7 | 2 |
| Fleet job orders completed | 8,765 | 9,937 | 10,082 | 8,368 | 8,797 |

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

| | Fiscal Year | | | | |
|--|-------------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Library: | | | | | |
| Registered borrowers | 175,374 | 197,830 | 190,049 | 191,699 | 151,504 |
| Circulation of library materials | 1,356,142 | 1,359,790 | 1,363,048 | 1,498,176 | 1,576,156 |
| Reference, research and informational questions answered | 104,670 | 143,396 | 140,784 | 156,340 | 167,744 |
| Annual attendance at libraries | 793,255 | 761,815 | 773,374 | 877,766 | 922,957 |
| Number of programs offered | 4,416 | 4,171 | 3,506 | 3,446 | 2,977 |
| Annual attendance at programs | 94,216 | 92,521 | 84,658 | 87,505 | 78,874 |
| Parks and Recreation: | | | | | |
| Golf rounds: | | | | | |
| Swenson Park golf course | 50,290 | 52,502 | 44,073 | 50,683 | 50,699 |
| Van Buskirk golf course | 9,990 | 13,765 | 13,753 | 18,083 | 21,731 |
| Trees planted | 7 | 10 | - | 6 | - |
| Heritage tree removal-permits issued | 5 | - | 6 | 11 | 7 |
| After school program registration (number of participants) | 21,728 | 14,382 | 2,087 | 22,454 | 23,408 |
| Day camp participants | 3,685 | 5,062 | 3,106 | 4,951 | 7,444 |
| Instructional classes | 2,986 | 6,569 | 1,414 | 3,866 | 3,591 |
| Softball/baseball diamonds bookings | 147 | 142 | 251 | 368 | 344 |
| Showmobile (Mobile Stage) bookings | 17 | 14 | 14 | 27 | 32 |
| Community center bookings | 635 | 1,029 | 175 | 928 | 1,133 |
| Picnic facility bookings | 306 | 272 | 166 | 417 | 339 |
| Adult sports (number of teams): | | | | | |
| Softball | 101 | 191 | 185 | 238 | 297 |
| Basketball | 23 | 5 | 4 | - | - |
| Volleyball | - | 6 | - | - | - |
| Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants) | 2,997 | 2,920 | 2,241 | 2,785 | 3,620 |

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

| | Fiscal Year | | | | |
|---|-------------|---------|---------|--------|---------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Parks and Recreation (cont.): | | | | | |
| Admissions to: | | | | | |
| Pixie Woods | 15,480 | 13,000 | 5,584 | 12,452 | 13,950 |
| Senior Center memberships | 615 | 744 | 2,450 | 874 | 1,276 |
| Civic Auditorium bookings | 133 | 228 | 16 | 99 | 144 |
| Parks and Recreation sponsored events | 22 | 10 | 3 | 13 | 17 |
| Weber Point Events Center bookings | 15 | 20 | 9 | 18 | 25 |
| Economic Development: (1) | | | | | |
| Rental Housing Units | 51 | - | 176 | - | 49 |
| Owner Housing (Emergency Repair or Rehabilitation) | 5 | 2 | 6 | 5 | 5 |
| Down Payment Assistance | 3 | - | - | 4 | - |
| Special Needs (Homes Repaired or Rehabilitated) | 2 | 5 | 9 | 6 | 5 |
| Public Facilities (Rehabilitated or Constructed) | 1 | 2 | 1 | 1 | - |
| Façade Program (Commercial Façade Repair/Rehabilitated) | 1 | 5 | 2 | 4 | - |
| Public Services Provided | 23,760 | 129,584 | 120,765 | 52,424 | 118,316 |
| Homeless Services Provided | 4,859 | 4,464 | 4,578 | 3,597 | 532,043 |
| Meals Provided to Homeless | 39,848 | 23,541 | - | - | - |
| Jobs Created and/or Retained | - | 5 | - | 5 | 2 |
| Business Assisted (Entrepreneur Program) | 292 | 475 | 401 | - | - |
| Water utility: | | | | | |
| New connections (DUE's) (2) | 221 | 422 | 106 | 124 | 29 |
| Water main breaks | 21 | 15 | 21 | 13 | 14 |
| Wastewater utility: | | | | | |
| Average daily influent (million gallons per day) | 30 mgd | 30 mgd | 29mgd | 24 mgd | 30 mgd |

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

(2) Changed reporting to Dwelling Unit Equivalent (DUE) in 2011 to more accurately reflect new connections. Not all single water connections are equal to one dwelling unit equivalent (DUE), or single family residence. For example, a 12" meter is equal to 209 single family residential connections. In 2011, there were 115 new connections which were equal to 654 DUE's.

Source: City of Stockton Departments

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

| | Fiscal Year | | | | |
|---|-------------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| General government: | | | | | |
| Land use-square miles: | | | | | |
| Residential | 25 | 25 | 24 | 25 | 25 |
| Mixed use | 4 | 4 | 4 | 4 | 4 |
| Commercial | 4 | 4 | 4 | 4 | 5 |
| Industrial | 13 | 13 | 13 | 13 | 13 |
| Institutional | 4 | 4 | 4 | 4 | 4 |
| All other uses | 3 | 3 | 4 | 3 | 3 |
| Total square miles | 53 | 53 | 53 | 53 | 54 |
| Public safety: | | | | | |
| Police: | | | | | |
| Facilities: | | | | | |
| Stations and substations | 1 | 1 | 1 | 1 | 1 |
| Animal control facility | 1 | 1 | 1 | 1 | 1 |
| Police training facility (pistol range) | 1 | 1 | 1 | 1 | 1 |
| Vehicles: | | | | | |
| Marked patrol cars | 192 | 217 | 175 | 211 | 189 |
| Motorcycles and scooters | 32 | 30 | 30 | 28 | 27 |
| Animal control vehicles | 8 | 8 | 8 | 8 | 8 |
| VIPS vehicles | 7 | 7 | 7 | 7 | 7 |
| Other automobiles | 231 | 208 | 209 | 283 | 173 |
| Other mobile units (all others) | 22 | 22 | 21 | 444 | 444 |
| Public area security cameras | 345 | 338 | 324 | 300 | 300 |
| Fire: | | | | | |
| Fire stations | 12 | 12 | 12 | 12 | 12 |
| Training facilities | 1 | 1 | 1 | 1 | 1 |
| Fire hydrants | 9218 | 9,080 | 9,054 | 9,032 | 9,039 |
| Public works: | | | | | |
| Miles of streets | 769 | 769 | 769 | 769 | 806 |
| Traffic signals | 310 | 307 | 307 | 291 | 291 |
| Street light fixtures | 19,208 | 19,137 | 19,206 | 21,993 | 19,224 |

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

| | Fiscal Year | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Parks and recreation: | | | | | |
| Arena | 1 | 1 | 1 | 1 | 1 |
| Ballpark | 1 | 1 | 1 | 1 | 1 |
| Baseball/softball diamonds | 54 | 54 | 54 | 54 | 54 |
| Bike/jogging paths (miles) | 20 | 20 | 20 | 20 | 20 |
| Boating facilities - launch lanes | 12 | 12 | 12 | 12 | 10 |
| Children's Museum | 1 | 1 | 1 | 1 | 1 |
| Civic Auditorium (2,800 capacity) | 1 | 1 | 1 | 1 | 1 |
| Community centers | 5 | 5 | 5 | 5 | 5 |
| Dog Areas | 3 | 3 | 3 | 3 | 3 |
| Family camps | 1 | 1 | 1 | 1 | 1 |
| Golf course acreage | 371 | 371 | 371 | 371 | 371 |
| Group picnic areas | 31 | 31 | 31 | 31 | 31 |
| Gymnasium | 5 | 5 | 5 | 5 | 5 |
| Ice rink | 1 | 1 | 1 | 1 | 1 |
| Municipal golf courses | 3 | 3 | 3 | 3 | 3 |
| Park acreage | 625 | 625 | 625 | 625 | 625 |
| Parks and squares | 67 | 67 | 67 | 67 | 67 |
| Philomathean Club | 1 | 1 | 1 | 1 | 1 |
| Playgrounds | 71 | 71 | 71 | 71 | 71 |
| Senior center | 1 | 1 | 1 | 1 | 1 |
| Showmobile (Mobile Stage) | 1 | 1 | 1 | 1 | 1 |
| Skateboard park | 1 | 1 | 1 | 1 | 1 |
| Swimming pools | 7 | 7 | 7 | 7 | 7 |
| Teen Center | 1 | 1 | 1 | 1 | 1 |
| Tennis courts | 67 | 67 | 67 | 67 | 67 |
| Theater (Bob Hope) | 1 | 1 | 1 | 1 | 1 |
| Weber Point Events Center | 1 | 1 | 1 | 1 | 1 |
| Consolidated landscape maintenance districts: | | | | | |
| Streetscaping (square feet) | 3.6 million |
| Public open spaces (acreage) | 70 | 70 | 70 | 70 | 70 |

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

| | Fiscal Year | | | | |
|---------------------------------------|-------------|---------|---------|---------|---------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Library: | | | | | |
| City branches | 7 | 6 | 5 | 5 | 4 |
| Library mobile units | 2 | 2 | 2 | 2 | 2 |
| San Joaquin County branches | 8 | 8 | 8 | 8 | 8 |
| Total items in collection | 772,206 | 856,101 | 873,377 | 810,473 | 895,640 |
| Cargo delivery van | 2 | 2 | 2 | 2 | 2 |
| Cargo van | 1 | 1 | 1 | 1 | 1 |
| Undeveloped land for branch library | 2 | 2 | 2 | 2 | 2 |
| Integrated library system | 1 | 1 | 1 | 1 | 1 |
| Microform readers | 7 | 7 | 7 | 7 | 7 |
| Microform readers/printers | 7 | 7 | 7 | 7 | 7 |
| Self check out machines | 24 | 28 | 28 | 28 | 28 |
| Water utility: | | | | | |
| Water main lines (miles) | 668 | 668 | 668 | 668 | 668 |
| Storage capacity (thousand gallons) | 26,200 | 26,200 | 26,200 | 26,200 | 26,200 |
| Water wells (active) | 20 | 21 | 21 | 19 | 20 |
| Water reservoirs | 8 | 8 | 8 | 8 | 8 |
| Wastewater utility: | | | | | |
| Wastewater main lines (miles) | 883 | 899 | 899 | 899 | 899 |
| Treatment capacity (million gals/day) | 55 | 55 | 55 | 55 | 55 |
| Wastewater pump stations | 27 | 27 | 27 | 27 | 27 |
| Stormwater utility: | | | | | |
| Stormwater main drain lines (miles) | 626 | 626 | 626 | 626 | 626 |
| Stormwater pump stations | 73 | 74 | 74 | 74 | 72 |
| Parking Authority: | | | | | |
| Parking spaces | 5440 | 5,396 | 5,783 | 5,549 | 4,259 |
| Parking lots & garages | 21 | 20 | 23 | 23 | 18 |

Source: City of Stockton Departments