Comprehensive Annual Financial Report

For the Years Ended June 30, 2018 and 2017

Port of Stockton

Stockton, California

Comprehensive Annual Financial Report

For the Years Ended June 30, 2018 and 2017

Port of Stockton

P.O. Box 2089
Stockton, CA 95201

Prepared by
The Finance and Administration Department

Stockton Port District
Comprehensive Annual Financial Report
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Introductory Section

Port of Stockton

Stockton, California

PORT OF STOCKTON

Phone: (209) 946-0246 Fax: (209) 465-7244

December 17, 2018

Mr. Richard Aschieris
Port Director
Stockton Port District
P.O. Box 2089
Stockton, CA 95201

To Mr. Aschieris, Port Director, Port Commissioners, and Citizens of the Port District:

The Comprehensive Annual Financial Report for the Stockton Port District (District), for the years ended June 30, 2018 and 2017, as prepared by the Finance Department is hereby submitted for your review. Responsibility for both the accuracy of the presented data, the completeness and fairness of the presentation, including all disclosures, rests with the District's management. To the best of our knowledge and belief the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and changes in the financial position of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. Although the District is not legally required to prepare the Comprehensive Annual Financial Report, we do so to aid financial institutions and our community in their understanding of the District's activities and its financial composition. The Management's Discussion & Analysis, in the financial section, will give readers an informative overview of District operations for the last year. To provide reasonable assurance that the financial statements are accurate, management has established an internal control framework to compile data for the preparation of the financial statements and to protect the District from fraud, misuse or loss. As with any system, the inherent limitations of the system make it essential that the District review this structure when opportunities are presented but the cost of a control should not exceed the benefits to be derived. The objective of internal controls is to provide reasonable, rather than absolute assurances, that the financial statements are free of any material misstatements. The District's internal controls include built-in checks and balances for purchasing and billing, contract approval and routine reporting and reconciliation procedures for accounts. To management's knowledge, this financial report is complete, accurate and reliable in all material respect.

The District is a self-supporting special district of the State of California. Its entire operations are accounted for on an accrual basis in a single proprietary enterprise fund and receives no tax dollars. The District has a comprehensive methodology of internal controls that encompasses the whole accounting process and its procedures to assure the most accurate distribution of its financial data. The financial audit was completed by independent auditors, Vavrinek, Trine, Day & Co., LLP. The auditors provide reasonable assurance that the financial data is fairly stated and also review the accounting system and procedures.

Post Office Box 2089 ● Stockton, CA ● 95201-2089 ● E-mail: portmail@stocktonport.com
Administration Office: 2201 West Washington Street ● Stockton, CA ● 95203 ● Web Page: www.portofstockton.com

Government Profile

The District was established under the California Harbors and Navigation Code, Sections 6200 through 6372. It is governed by a seven-member Board of Commissioners (Board). Four commissioners are appointed by the Stockton City Council and three by the San Joaquin County Board of Supervisors. The day-to-day administration of District operations is under the direction of the Port Director who is selected by and serves at the will of the Board. A current organization chart of the District is included in this report. The District's geographical boundaries are the same as the City of Stockton's, with the exception of an eight-mile long strip extending one-half mile on either side of the Stockton Ship Channel.

The District is a deep-water seaport located seventy-five miles inland from San Francisco, in the agricultural heartland of California in San Joaquin County. The District owns and operates docks, transit sheds, and warehouses which are used to load and unload cargo from ships, barges, trucks, and railroads, and to store cargos. Cargos handled by the District include various dry and liquid bulk commodities, general cargos, and project cargos. Some of the commodities handled at the District include steel products, rice, cement and slag, sulfur, gypsum, fertilizers, molasses, coal, edible oils, and ammonia. The District also leases land and warehousing facilities to a number of diverse tenants. District operations are self-supporting and receive no direct tax subsidies.

Budget Structure

The Board of Commissioners adopts a budget for each fiscal year. The District uses an informal system of budgetary accounting and control. The budgetary estimates are retained in memorandum form and used for comparative purposes only. As part of the budget presentation, the District utilizes a five-year forecast for capital projects to improve long range planning.

Economic Condition

Local Economy

The San Joaquin County (County) economic activity over the past several years had slowed with the decline in the construction and housing industry, but this year most sector indicators have started to show positive trends except the federal government sector. The County has a population of approximately 743,900 people, which is expected to grow 1.4% in 2018. The Employment Development Department of California states that the County has a labor force of 327,400 with a current unemployment rate of 6.0%. The Eberhardt School of Business Forecasting Center at the University of the Pacific (UOP) is predicting that unemployment will continue to range between 5.9% and 5.5% through 2020. UOP is anticipating job growth in professional and business services; the construction and mining sectors; and financial activities sectors with decreasing job numbers in the leisure and hospitality and other services sectors. The personal income growth is expected to increase at a rate of 5.7% for 2019.

San Joaquin County is one of the largest agricultural producers in the State. The total area in the county is 1,391 square miles with 517,918 acres of farmland in 2017. The gross value from the county's agricultural products in 2017 was approximately $2.5 billion, an increase of 8.1% from 2016. The agricultural production in the county is the byproduct of a fertile land and temperate weather conditions. The County's top six leading crops are grapes, milk, almonds, walnuts, cherries, and cattle.

The County does enjoy a highly educated workforce, with many coming from the local colleges in the area. The University of the Pacific, California State University, Stanislaus-Stockton Center, Humphreys College and Humphreys School of Law, National University and San Joaquin Delta Community College all offer a wide choice of educational opportunities within the community. There are also many adult educational programs available throughout the 15 school districts in the County.

The District plays an important role in providing local industry and shipper's access to the international export and import marketplace. Through the District's facilities, local products are shipped both economically and efficiently. Our modern facilities are designed to enhance the shipment of break bulk, general cargoes and bulk cargoes, such as steel products, rice, bulk cement, coal, fertilizers and liquid products. The District operates within Foreign Trade Zone #231 and offers its customer the flexibility and advantages of operating within those regulations.

Long-term Financial Planning

The District is a public entity that functions similar to a self-supporting business. Our long-term planning and financial goals are tied to our customer base and the needs of future customers/tenants. With the conveyance of the adjacent Rough & Ready Island Naval Base in 2000, the District started a development program for infrastructure improvements that includes the Port of Stockton Expressway Bridge, expanded rail infrastructure, dredging the docks and other amenities for customer usability. Any new developments or improvements will be customer driven as they expand their operations or as new businesses come to the District. The District refunded the 1997 bonds and issued $29.7 million in new bonds in 2007. In 2013, the District refunded the 2001 Bonds with an installment loan with Compass Bank and secured capital leases for equipment for the terminal and warehouse operations. The District secured an $8.2 million loan for rail infrastructure improvements in fiscal year 2016. In fiscal year 2017, the District refunded the 2007 series A (tax-exempt) Bonds and the I-Bank loan while issuing an additional $5 million in bonded debt for infrastructure projects. The District has a total of $44.2 million in outstanding bonds, loans and capital lease obligations. The bonds and installment loans are secured by and payable from gross revenues derived from the operations of District facilities. The proceeds of these issues were used for capital improvements and refunding certain outstanding bond issues. The District has no general obligation bonds. The details of our debt structure can be reviewed in the Management's Discussion and Analysis and the Notes to the Financial Statements.

Relevant Financial Policies

The Board has established financial policies that affected the financial position in the current year and give guidelines on cash management and investments, purchasing, and capital expenditures that are followed by the management staff. Through the budget process each year, the Board reviews and approves the District's financial projections, goals, and business trends. In the budget, there is also a five-year forecast for capital improvements and new projects that present our future objectives. For all financial reporting and accounting procedures, the District uses the Governmental Accounting Standards Board (GASB) guidelines as our standard.

Major Initiatives

The District utilized $14.9 million this year in grant funds for infrastructure improvements, which included the homeland security projects, dredging, and the Navy Drive Bridge and widening project. These capital projects were funded by federal and state grants. All of these improvements have added value to the District and the community in terms of business opportunities and new jobs.

Awards & Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Stockton Port District, for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the eighteenth consecutive year that the Stockton Port District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Thanks and appreciation are also extended to the firm of Vavrinek, Trine, Day & Co., LLP for their professional approach and high standards in the conduct of their independent audit of the report. We would also like to thank the Port Director, Richard Aschieris, and the members of the Commission for their guidance and support throughout the year. We appreciate their interest and support in planning and conducting the financial operation of the District in a progressive and responsible manner.

Respectfully Submitted,

Dianna L. Baker
Director of Finance

Michelle Bowling
Controller/Internal Audit Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Stockton Port District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Back:
Gary Christopherson, Commissioner;
Sylvester C. Aguilar, Chairman;
Stephen Griffen, Vice Chairman
Michael Patrick Duffy, Commissioner

Front:
R. Jay Allen, Commissioner;
Victor Mow, Commissioner;
Elizabeth Blanchard, Commissioner;
Richard Aschieris, Port Director.

Board of Commissioners

Sylvester C. Aguilar
Chairman

Stephen Griffen
Vice Chairman

R. Jay Allen
Commissioner

Elisabeth Blanchard
Commissioner

Gary Christopherson
Commissioner

Michael Patrick Duffy
Commissioner

Victor Mow
Commissioner

Port Staff

Richard Aschieris
Port Director

Steven Escobar
Deputy Port Director of
Real Estate & Port Development

Dianna L. Baker
Director of Finance

Jason Katindoy
Director of Maritime Operations

George Lerner
Director of Homeland Security

Jeff Wingfield
Director of Environmental &
Regulatory Affairs

Michelle R. Bowling
Controller/Internal Audit
Manager

Debbie Calli
Properties Manager

Jason Cashman
Environmental & Regulatory
Affairs Manager

Steve Cookerly
Maintenance Superintendent

Pete Grossgart
Marketing Manager

Katie Miller
Human Resources Manager

Chris Mountjoy
Operations Manager

Ricardo Navarro
Maintenance Superintendent

Russ Nicholas
Telecomm Manager

Melanie Rodriguez
Assistant to the Director/
Secretary to the Board

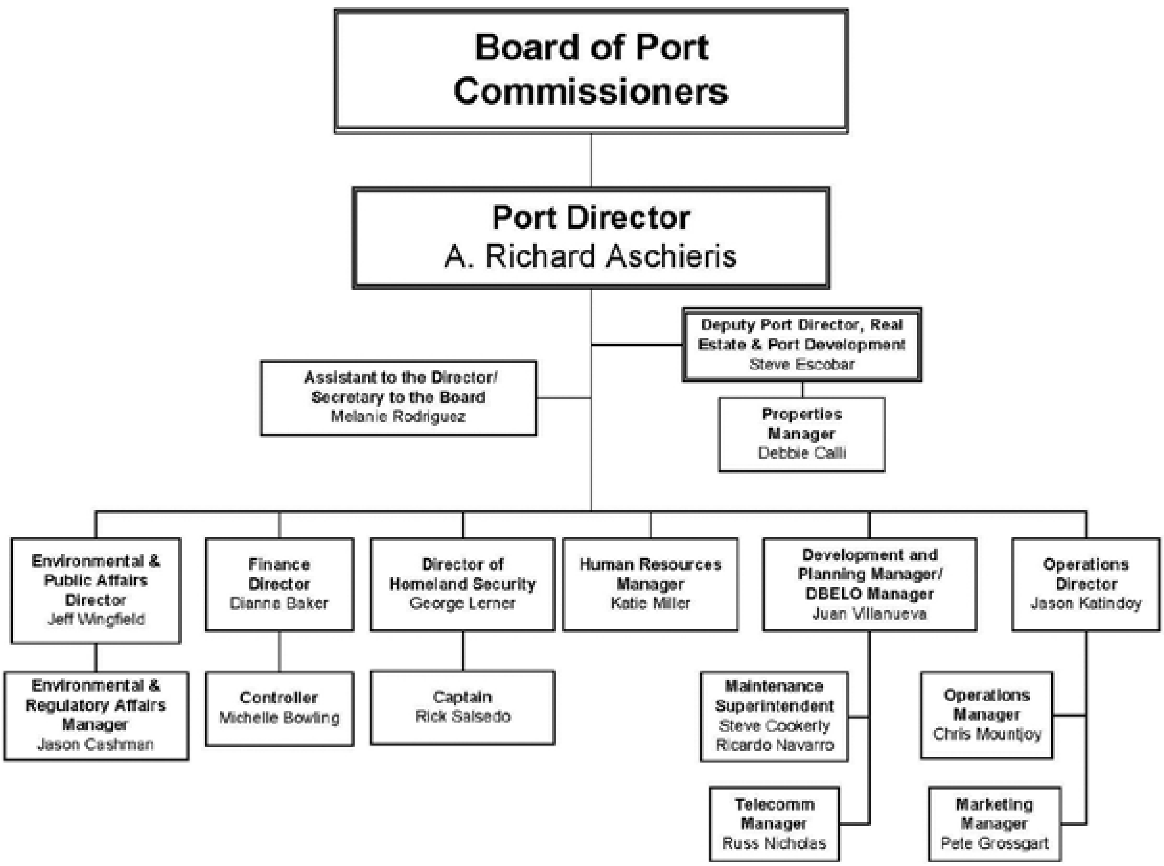
Rick Salsedo
Police Captain

Juan Villanueva
Development & Planning
Manager/ DBELO Manager

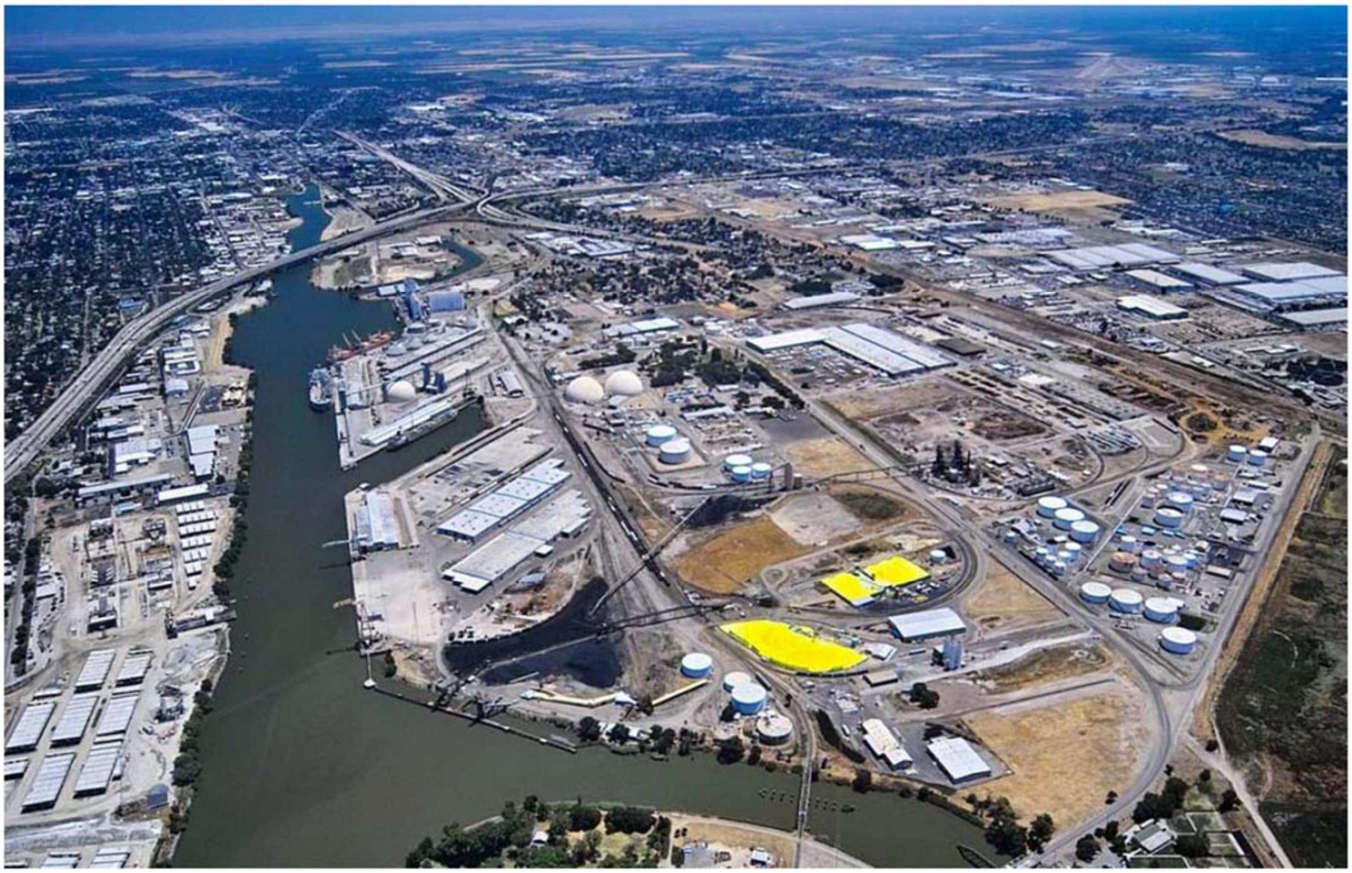
Port of Stockton

Organization Chart

June 30, 2018



EAST



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Financial Section

Port of Stockton

Stockton, California

Financial Section

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Stockton Port District
Stockton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Stockton Port District (District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which comprise the District'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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective July 1, 2017. Our opinion is not modified with respect to this matter.

2151 River Plaza Dr., Suite 308, Sacramento, CA 95833 P 916.570.1880 F 916.570.1875 W vtdcpa.com

Other Matters

Report on Summarized Comparative Information

Other auditors have previously audited the District's financial statements for the year ended June 30, 2017, and they expressed an unmodified audit opinion on those audited financial statements in their report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in total OPEB liability and related ratios, as listed in the table of contents 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 District's basic financial statements. The introductory section, outstanding construction in progress detail, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The outstanding construction in progress detail is 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 outstanding construction in progress detail is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the District'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 District'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 the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Sacramento, California
December 17, 2018

Management's Discussion and Analysis
(Unaudited)

The management's discussion and analysis (MD&A) of the Stockton Port District's (District) financial performance provides an overview of the District's financial activities for the years ended June 30, 2018 and 2017.

DISTRICT HIGHLIGHTS

The District's unrestricted cash and investments increased by $7.6 million from 2017 due to increased net revenues and federal and state grants for some capital projects.

The District invested $27.5 million in infrastructure improvements and other capital assets to enhance the resources available at the District's facilities. The District utilized bond funds, federal and state grants, a loan, and District revenues to finance the capital expenditures.

Port waterborne tonnages increased 23% over last year. There were significant increases in cement/slag tonnages due to increase construction demands. Bulk fertilizer tonnages increased due to increased demand resulting from the subsidence of drought conditions in California. Bulk sulfur tonnages also improved due to increased demand in overseas markets. Other bulk commodities increased as well.

The District utilized $14.4 million in federal and state grant funds in the last fiscal year from previously awarded grant programs for dredging, the Navy Drive bridge replacement, the Navy Drive widening project, and other security projects.

Overview of the Financial Statements

The MD&A serves as an introduction to the financial statements and financial notes. The District is responsible for its content and accuracy. It summarizes the financial data, key financial and operational activities and will aid in the reader's understanding of the District's financial position and performance.

The District is a special municipal district created through the State of California Harbors & Navigation Code. The District is an enterprise fund. It has no other funds and receives no tax dollars. The District, for reference purposes, is described by two locations that are divided by water. The "East Complex" is the original District property and the "West Complex" is property on Rough and Ready Island located west of the initial District property. Accounting methods and financial statements used are similar to those in the private sector. The statements of net position feature assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position information. The statements of revenues, expenses, and changes in net position define the revenue and expense sources that fund the overall success of the District. The statements of cash flows present information on District activities and its effect on cash reserves. The notes to financial statements provide additional information that is essential to understanding the data provided in the basic financial statements. The information in the required supplementary information sections features additional details for the better understanding of certain financial data as listed in the table of contents. In addition to the vital financial statements and notes, this report also contains historical information about the District. This will give readers a broader understanding of the District's history. The following discussion and analysis provides an overview of the District's financial activities.

Financial Analysis

Statements of Net Position

The statements of net position present the financial position of the District at the end of the fiscal year. The statements include all assets, deferred outflows of resources, liabilities, and the deferred inflows of resources of the District. Net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, and its changes are a reflection of the overall health and future of the District. A summarized comparison of the District's assets, deferred outflows of resources, liabilities, and net position as of June 30, 2018, 2017, and 2016 are as follows:

Statements of Net Position	**June 30,**		
(in thousands)	**2018**	**2017**	**2016**
Current and Other Assets	$ 53,933	$ 44,722	$ 33,587
Capital Assets, Net of Depreciation	189,755	173,096	175,222
Total Assets	243,688	217,818	208,809
Deferred Outflows of Resources - Loss on Refunding	469	520	77
Deferred Outflows of Resources - OPEB	24	-	-
Long-term Liabilities	47,681	49,406	48,570
Other Liabilities	14,850	11,640	10,193
Total Liabilities	62,531	61,046	58,763
Deferred Inflows of Resources - OPEB	158	-	
Net Position			
Net Investment in Capital Assets	149,733	133,915	135,125
Restricted	45	55	75
Unrestricted	31,713	23,952	14,923
Total Net Position	$ 181,491	$ 157,922	$ 150,123

Comparing the statement of net position for the 2018 fiscal year to the 2017 fiscal year, current and other assets show a net increase of $9.2 million and net capital assets increased by $16.7 million. The increase in current and other assets is primarily a result of the increase in unrestricted cash and investments of $7.6 million due to operating income and capital contributions exceeding net non-operating expenses. Other receivables were up $3.5 million due to the increased grant activity. The net increase in capital assets is due to several large construction projects including the Navy Drive Bridge, various dredging projects, Navy Drive widening project, road rehabilitations, and multiple Homeland Security projects.

At June 30, 2018, the District had a total of $44.2 million in outstanding long-term debt, including commercial loans and bond obligations. That total includes the outstanding balance of the 2013 Compass Bank loan that refunded the 2001 CIEDB loan, the 2016 Western Alliance Bank loan, and the 2016 Bonds that refunded the 2007 A bonds and the 2002 CIEDB loan. The refunding will save the District $3.5 million in future debt service with an economic gain of $3.2 million. Commercial loans and capital lease obligations are $1.4 million. For more information, see note 9 in the notes to the financial statements.

In addition, the pollution remediation obligation related to the West and East Complex remained the same during the year. The balance of the obligation at year end was $1,772,300.

The District had an increase in net position this year of $24.2 million, which was from a $9.3 million of income before capital contributions and $14.9 million in capital contribution from federal and state programs for construction projects as well as contributed capital from tenants. The net position is divided into three categories: net investment in capital assets, restricted, and unrestricted funds. As a municipal entity, this classification gives readers a better understanding of the District's base value. The beginning net position for fiscal year 2018 has been adjusted in compliance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Comparing the statement of net position for the 2017 fiscal year to the 2016 fiscal year, current and other assets show a net increase of $11.1 million and net capital assets decreasing by $2.1 million. The increase in current and other assets is primarily a result of the increase in unrestricted cash and investments of $7.9 million due to operating profits and capital contributions exceeding net non-operating expenses. The District refunded the 2007 series A bonds, the 2002 CIEDB Loan Agreement and added an additional $5 million revenue bonds for infrastructure project. This resulted in a $909 thousand increase in restricted funds by reducing the reserve accounts of the refunded bonds, the July 2016 payments and adding to the construction fund. Other receivables were up $1.3 million due to the increase grant activity. The net decrease in capital assets is from few projects this year with increased annual deprecation from prior projects. Some of the capital projects included the Navy Drive Bridge, various dredging projects, Navy Drive widening project, and multiple Homeland Security projects.

At June 30, 2017, the District had a total of $46.5 million in outstanding long-term debt, including commercial loan and bond obligations. That total includes the outstanding balance of the 2007 series B Bonds funding for additional infrastructure improvements, the 2013 Compass Bank loan that refunded the 2001 CIEDB loan, the 2016 Western Alliance Bank loan, and the 2016 Bonds that refunded the 2007 A bonds and the 2002 CIEDB loan. The refunding will save the District $3.5 million in future debt service with an economic gain of $3.2 million. Commercial loans and capital lease obligations are $563 thousand.

Statements of Revenues, Expenses, and Changes in Net Position

The District is an operating port with the terminal operations playing a vital part in the overall revenues. Because the terminal cargo mix varies by tonnage and commodity type from year to year, the operating revenues reflect those diverse changes. The following is a condensed statement of revenues, expenses, and changes in net position:

Statements of Revenues, Expenses, and Changes in Net Position (in thousands)

	Year Ended June 30,		
	2018	**2017**	**2016**
Operating Revenues			
General Cargo	$ 7,939	$ 10,120	$ 11,448
Bulk Cargo	22,023	16,921	16,136
Property Management	25,805	24,493	25,029
Other	283	238	200
Total Operating Revenues	56,050	51,772	52,813
Operating Expenses:			
Wages and Fringe Benefits	14,558	13,862	16,470
Contracted Stevedoring	5,529	5,861	7,322
Outside Services/Consultants	2,713	2,725	3,084
Utilities	3,906	3,823	3,704
Depreciation	10,832	10,723	9,718
Other Operating Costs	8,597	8,249	8,576
Total Operating Expenses	46,135	45,243	48,874
Operating Income (Loss)	9,915	6,529	3,939
Non-Operating Revenue (Expense):			
Interest Revenue and Other	451	240	147
Interest Expense and Other	(1,092)	(1,875)	(942)
Net Non-Operating Expense	(641)	(1,635)	(795)
Income (Loss) Before Capital Contributions	9,274	4,894	3,145
Capital Contributions	14,925	2,905	7,169
Changes In Net Position	24,199	7,799	10,314
Net Position, Beginning of Year, Restated	157,292	150,123	139,809
Net Position, End of Year	$ 181,491	$ 157,922	$ 150,123

Revenues

The District's operating revenues for 2018 increased $4.3 million due to increased property management revenues and more bulk cargo revenues this year compared to 2017. Each year the commodity mix changes by type and volume as the customer's needs change. This has a direct effect on revenues and profitability since each of the commodities has different revenue rates and costs associated with handling the different products. In highlighting how major commodities change from year to year, the underlining change of revenues are shown. General cargo revenues were down 21.5% from last year. The general cargo tonnages were down 28% due to a 42.5% decrease in rice shipments from last year with less product exporting through the District. Steel cargo revenues were also down with a 24.4% decrease in tonnage due to the implementation of U.S. tariffs on steel imports. The other general cargo tonnages are comprised of bagged fertilizer and project cargo.

Bulk cargo revenues were up 30% from 2017. Dry bulk revenues increased 42% with tonnage increasing 42% from 2017. Cement/Slag tonnages and revenues were higher, up 39% and 57% respectively, due to increased construction in the region. Sulfur tonnages and revenues increased due to higher market demands overseas. Coal tonnages increased 57% with an upturn in demand from customers. Fertilizer and urea tonnages were up 27% due to increased demand resulting from the subsidence of drought conditions in California. Liquid bulk revenues increased 11% with tonnages up 5%. Molasses tonnages and liquid fertilizer increased 18% and 8% respectively but with the other commodities lower. Ammonia tonnages remained the same. Food grade oil tonnages decreased 8% compared to 2017 due to smaller shipments as compared to 2017.

Property management revenues are up 5.4% from 2017. Lease revenues increased 2.6% due to the addition of new tenants during 2018. Utility revenues, which include storm water and sewer fees, increased 3.8% due to the addition of new tenants. Other property management revenues, such as beltline and rail infrastructure fees for rail services and storage, were up 52.4% due to the increase in beltline usage and increased rail traffic related to bulk commodities. The property management staff continues to market the West Complex with the aid of outside real estate firms.

Other operating income was up 19% from 2017. Fuel sales increased 23.9% up $44.1 thousand from 2017. Fuel sales are dependent on the cost of fuel and the demand District customers and employees have for purchasing fuel at the District. The District bills on a cost plus basis so there is no net loss on any of the sales. The fees for Foreign Trade Zone (FTZ) income remained the same as 2017.

Interest and other non-operating revenue, which include fees for the West Complex aeration project, was 94.4% higher than 2017 due to increased interest income from having additional funds to invest and the interest rates increasing.

In 2018, the District utilized $14.4 million in federal and state grants for security and capital improvements.

In comparing 2017 revenues to 2016 revenues, The District's operating revenues decreased by 2.1% due to reduced general cargos. Each year the commodity mix changes from fluctuating markets. General cargo revenue and tonnages decreased with due to reduced rice shipments. Overall, Bulk cargos were up with more demand for coal. Additionally, cement and slag shipments were up with increase construction activity. Property management revenues were down 2.1% due to reduced revenue in leases, utility, and rail fee revenues.

Expenses

The District's operating expenses for 2018, excluding depreciation, increased by 2.3% compared to 2017. There was a 23% increase in waterborne tonnages overall with increases in dry bulk and liquid bulk cargos but with decreases in general cargo commodities. The mix of the cargo types affects the overall cost of handling the commodities that are shipped at the District. Wage and benefit costs were up 5.0% due to the addition of staff and the filling of some vacancies from the prior year. Contracted stevedoring expense was down 5.7% due to decreased rice and steel tonnages, which use more labor.

Environmental compliance expense was down 18.6% from 2017 due to decreased remediation expenses for the West Complex. In 2018, the District expended $640 thousand less in remediation costs and with no future liability adjustment. Each year those costs and potential liability are re-evaluated based on remediation and environmental requirements.

The outside services and consultants expense was 0.5% less than 2017. Increases in engineering, temporary labor, and computer maintenance expenses were offset by decreases in reclamation district expense related to levee improvements.

Utilities expense was 2.2% higher than 2017. Electricity billing and utility usage for electricity was up but there were increased expenses due to an increase in tenant usage of natural gas.

Other operating expenses increased 23.7% compared to 2017. Business insurance and bad debt expenses were the cause of the increase. These other expenses (promotion, travel, etc.) were a mix of higher and lower costs.

Depreciation expense increased by 1.0% from 2017. The increased expense is due to the capital assets added over the last couple of years.

Interest and other non-operating expenses decreased 41.8% compared to 2017. The District's interest expense decreased by $251 thousand due to the maturity of several loans as well as the maturity of the 2007 series B bonds.

In comparing the 2017 and 2016 expenses, Operating expenses, excluding depreciation, decreased by 11.8% compared to last year. There was a 13% increase in waterborne tonnages overall with increases in dry bulk cargo but with decreases in general cargo and liquid cargo commodities. The mix of the cargo types affects the overall cost of handling the commodities that are shipped at the District. The most significant decreases were costs associated for the pension benefit change in the 2016 fiscal year. The District changed its pension benefits for maintenance and warehouse employees from a defined benefit plan to a defined contribution program. In doing so, the District recognized a $2.7 million liability to withdraw from the pension trust fund last year. This withdrawal liability will be paid to the pension trust over a ten-year period. Wage and benefit costs were down 15.8% due to last year's adjustment and some staff vacancies. Contracted stevedoring expense was down 20% due to decreased rice tonnages being shipped, which uses more labor.

Capital Assets

The District's net capital assets increased by $9.6 million during the year ended June 30, 2018. The District had more improvement projects this year. The following table summarizes the District's capital assets, net of depreciation as of June 30, 2018, 2017, and 2016 (in thousands):

Capital Assets	**June 30,**		
(in thousands)	**2018**	**2017**	**2016**
Land	$ 28,540	$ 28,522	$ 28,487
Buildings & Facilities	92,894	94,650	76,312
Furniture, Fixtures, & Equipment	27,220	29,160	31,486
Leasehold Improvements	3,850	4,270	4,705
Intangible Assets	2,157	2,645	3,194
Construction in Progress	35,094	13,849	30,038
	$ 189,755	$ 173,096	$ 174,222

With the acquisition of Rough & Ready Island (the West Complex) in July 2000, the District has been in an expansion and development mode trying to modernize and maintain both the vintage naval properties and the original District facilities.

Major capital investments for 2018 include:

Navy Drive Bridge	$11.8 million
Navy Drive Widening Project	$8.3 million
Road Rehabilitation	$2.1 million
Dredging	$1.2 million
Homeland Security Projects	$520 thousand

Major capital investments for 2017 were:

Navy Drive Bridge	$2.1 million
Dredging	$2.1 million
Navy Drive Widening Project	$748 thousand
Warehouse Roof upgrades	$510 thousand
Homeland Security Projects	$451 thousand

These projects are being funded by Federal and State grant programs, bond funds, loans and District revenues. For additional information about the capital asset activity, see Note 5.

Debt Administration

The following is a summarized detail of the District's outstanding debt and capital lease obligations:

Debt	**June 30,**		
(in thousands)	**2018**	**2017**	**2016**
2002 CIEDB Loan	$ -	$ -	$ 6,914
2007 Bonds	-	1,050	22,020
2013 Compass Bank Loan	5,757	6,304	6,834
Western Alliance Bank	7,850	8,103	8,200
2016 Bonds	29,248	30,476	-
Other Loans and Capital Lease Obligations	1,368	563	1,391
	$ 44,223	$ 46,496	$ 45,359

The District maintains a BBB rating from Standard and Poor's and has an A3 rating from Moody's Investors Service for the revenue bonds. In 2002, the District issued $20 million in bonds for infrastructure improvements at the West Complex (Rough & Ready Island). In 2007, the District issued $30 million in bonds for infrastructure improvement and to refund previously outstanding bonds. In 2013, the District refunded the 2001 Bonds, which were issued for infrastructure improvements, with the Compass Bank Installment Sale Agreement. In 2014, the District added $1.1 million in new commercial loans and capital lease obligations, which when netted with the $3.6 million in debt payments during the year, accounts for the $2.5 million decrease in long-term debt during 2014. In 2015, the District added $961 thousand in new commercial loans, which when netted with the $3.5 million in debt payments during the year, accounts for the $2.5 million decrease in long-term debt during 2015. In 2016, the District added an $8.2 million loan that is on par with the other loan agreements and bond debt and a $602.9 thousand loan to purchase property adjacent to the District. In fiscal year 2017, the District refunded the balance of the 2007 series B bonds, the 2002 CIEDB Loan and added an additional $5 million for capital projects. In fiscal year 2018, the District added a $1.3 million loan for the Navy Drive widening project. More detailed information about the District's debt is presented in Note 9 to the financial statements.

Economic Factors and Next Year's Budget

The District plans to continue improving the East and West Complex infrastructure by using grants and bond funds to upgrade the Navy Drive Bridge and road expansions, security upgrades, dock improvements and dredging. These enhancements will improve the access capabilities for current and future customers, and add to amenities already offered by the District.

The budget for the upcoming year has a net decrease of 4.3% in operating revenues. In the Terminal and Warehouse divisions, the District is expecting a 20.1% decrease in tonnages, with stable tonnages of general cargo and liquid bulk commodities but decreases in dry bulk. Terminal and Warehouse revenues are expected to decrease by 13.4% due to anticipated decreases in dry bulk commodities such as coal. Stevedoring expenses are expected to decrease due to the change in the cargo. The Terminal division is pursuing other products, but has not included those commodities in the budget.

Property Management revenues are expected to increase by 5.4%. Lease revenue is anticipated to increase 2.3% due to new tenants and current tenants increasing their footprint. The District's Property Management team is working to increase its occupancy rate at the West Complex. Rail infrastructure fees will decrease 3.1% due to the reduction of coal products being exported. Utilities revenue, which includes storm water and sewer fees, will increase by 17.8%. The Property Management Division expects revenues to be up and continue to work toward increased occupancy for the District.

The expenses for the District are based on fixed and variable costs that are needed to run the operation. When preparing the budget, portions of some expenses are accounted for as placeholders for potential expenses (i.e. legal, some outside services, etc.) that will be determined as business and/or as challenges occur during the year. If those business activities or challenges do not occur, then the related expenses will not occur.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest of the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance at the Port of Stockton, P.O. Box 2089, Stockton, California 95201.

STOCKTON PORT DISTRICT

STATEMENT OF NET POSITION
(WITH COMPARATIVE AMOUNTS FOR 2017)

	JUNE 30, 2018	JUNE 30, 2017
ASSETS		
Current Assets		
Cash and investments	$ 33,470,802	$ 25,862,662
Cash and investments - restricted	2,001,796	1,642,983
Accounts receivable, net of allowance for doubtful accounts of $314,644 in 2018 and $448,312 in 2017	9,967,637	8,788,162
Other receivable	5,233,244	1,686,995
Prepaid expenses and other	951,520	988,411
Total current assets	51,624,999	38,969,213
Noncurrent Assets		
Cash and investments - restricted	2,308,104	5,746,236
Nondepreciable capital assets	63,633,893	42,370,811
Depreciable capital assets, net	126,120,760	130,725,104
Other assets	-	7,541
Total noncurrent assets	192,062,757	178,849,692
Total assets	243,687,756	217,818,905
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	468,706	519,683
Deferred outflows related to OPEB	23,896	-
Total deferred outflows of resources	492,602	519,683
LIABILITIES		
Current Liabilities		
Accounts payable	7,235,047	3,117,625
Accrued liabilities	3,822,830	3,916,012
Current portion of long-term debt	2,923,958	2,520,561
Current portion of unearned revenue	543,048	688,389
Current liabilities payable from current restricted assets:		
Accrued interest	-	28,613
Accounts payable	2,498	2,178
Accrued liabilities	233,211	207,432
Unearned revenue	89,282	109,547
Long-term debt	-	1,050,000
Total current liabilities	14,849,874	11,640,357
Noncurrent Liabilities		
Liabilities payable from restricted assets:		
Public benefits program liability	207,165	190,250
Unearned revenue	109,165	324,165
Long-term debt	41,298,997	42,925,855
Other long-term liabilities	6,066,046	5,335,583
Total noncurrent liabilities	47,681,373	48,775,853
Total liabilities	62,531,247	60,416,210
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB	158,000	-
NET POSITION		
Net investment in capital assets	149,733,514	133,915,418
Restricted for the oxygen aeration facility	44,634	54,963
Unrestricted	31,712,963	23,951,997
Total net position	$ 181,491,111	$ 157,922,378

See accompanying notes

	JUNE 30, 2018	JUNE 30, 2017
OPERATING REVENUES		
General cargo	$ 7,939,378	$ 10,120,217
Bulk cargo	22,022,538	16,921,173
Property management	25,804,740	24,492,674
Other operating income	283,538	238,205
Total operating revenue	56,050,194	51,772,269
OPERATING EXPENSES		
Wages and fringe benefits	14,558,412	13,862,029
Contracted stevedoring	5,528,628	5,860,620
Environmental compliance	1,869,650	2,296,765
Outside services and consultants	2,713,029	2,725,378
Utilities	3,906,296	3,823,447
Other operating expenses	6,727,601	5,951,518
Depreciation	10,832,224	10,722,572
Total operating expenses	46,135,840	45,242,329
Operating income	9,914,354	6,529,940
NON-OPERATING INCOME (EXPENSE)		
Interest and other non-operating income	442,911	227,778
Interest and other non-operating expense	(1,091,794)	(1,875,463)
Gain on sale of capital assets	7,919	12,414
Net non-operating expense	(640,964)	(1,635,271)
Income before capital contributions	9,273,390	4,894,669
Capital contributions	14,925,472	2,905,067
INCREASE IN NET POSITION	24,198,862	7,799,736
NET POSITION, beginning of year, restated	157,292,249	150,122,642
NET POSITION, end of year	$ 181,491,111	$ 157,922,378

See accompanying notes

	YEARS ENDED JUNE 30, 2018	YEARS ENDED JUNE 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 54,234,187	$ 50,905,309
Cash received from other sources	5,301	171,954
Cash paid to employees and related benefits and taxes	(14,425,956)	(13,970,940)
Cash paid to suppliers	(16,597,002)	(18,734,333)
Payments on environmental clean up and compliance	(56,010)	(1,395,734)
Net cash provided by operating activities	23,160,520	16,976,256
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	353,372	231,750
Net cash provided by investing activities	353,372	231,750
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of debt	-	2,825,284
Purchase of capital assets	(26,673,047)	(7,978,385)
Capital contributions	11,581,384	1,657,735
Payment of loan and debt issuance costs	-	(213,726)
Loan proceeds	2,189,914	585,212
Proceeds from sale of capital assets	8,346	12,414
Payments on capital leases	(256,782)	(309,372)
Interest payments on long-term obligations	(1,628,293)	(1,478,127)
Principal repayment of long-term obligations	(4,206,593)	(3,282,700)
Net cash used for capital and related financing activities	(18,985,071)	(8,181,665)
NET INCREASE IN CASH AND INVESTMENTS	4,528,821	9,026,341
CASH AND INVESTMENTS, beginning of year	33,251,881	24,225,540
CASH AND INVESTMENTS, end of year	$ 37,780,702	$ 33,251,881

See accompanying notes

	YEARS ENDED JUNE 30, 2018	YEARS ENDED JUNE 30, 2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 9,914,354	$ 6,529,940
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,832,224	10,722,572
Other income	20,266	40,638
Other expense	(32,208)	(61,989)
OPEB expense	107,104	-
Other long-term liabilities	(6,770)	(379,259)
Deferred outflows of resources related to OPEB	(23,896)	-
Deferred inflows of resources related to OPEB	158,000	-
Change in assets and liabilities:		
Accounts receivable, net	(1,179,475)	(682,857)
Other receivables	(344,169)	(115,748)
Prepaid expenses and other	36,891	36,882
Other assets	7,541	53,366
Accounts payable	4,117,742	(391,796)
Accrued liabilities	(80,059)	1,087,826
Unearned revenue	(380,606)	(28,127)
Pollution remediation liability	-	185,101
Public benefits program liability	13,581	(20,293)
Net cash provided by operating activities	$ 23,160,520	$ 16,976,256
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capitalized interest	$ 603,726	$ 618,417
Amortization of deferred loss on refunding	50,977	34,463
Amortization of bond premium	83,561	51,994
Non-cash capital contribution	214,615	-
Refunded bond proceeds deposited into refunding escrow	-	27,219,256
Long-term liabilities refunded	-	26,331,957
Accrued interest paid from refunding escrow	-	410,623
Cost of issuance paid from bond proceeds	-	483,836

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

The Stockton Port District (District) is a public corporation of the State of California, organized pursuant to the State of California Harbors and Navigation Code. The District owns and operates an international deep-water port located in the City of Stockton (City) and San Joaquin County (County). Transoceanic water-borne trade began on February 2, 1933, after the initial dredging of the channel and completion of port facilities. The District handles liquid, dry and break-bulk commodities and provides seven million square feet for manufacturing and storage of finished or bulk products.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity – The District is independent from the City and the County governments and is administered by a seven-member board (Commission) appointed by both the City and the County. The Commission delegates administrative authority to a Port Director and administrative staff to conduct operations of the District. The City and the County provide no funding to the District, do not hold title to any of the District's assets, nor do they have any right to the District's surpluses. Also, there are no potential component units that would be required to be included in the District's financial statements.

Basis of accounting – The accounting policies of the District conform to accounting principles generally accepted in the United States of America, as applicable to proprietary funds of governmental units, as established by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the District is considered a special-purpose government engaged in business-only type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and services are performed and expenses are recorded when an obligation has been incurred.

Operating revenues and expenses are generated and incurred through the bulk and general cargo activities and property management services. Operating expenses also include the maintenance of facilities, infrastructure, and security and safety related expenses. Administration and depreciation are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

During the 2017-18 fiscal year, the District implemented GASB Statement No. 75, *Accounting and Financial Report for Postemployment Benefits Other Than Pensions (GASB 75)*. The Statement establishes new accounting and financial reporting requirements for governments and governmental agencies whose employees are provided with OPEB plans. It improves the information provided by state and local governmental employer about financial support for OPEB that is provided by other entities. The statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Investments – Investments are stated at fair value. Fair value is determined by using quoted market prices for all investments. The change in fair value is included in interest income and other in the statements of revenues, expenses and changes in net position. The District is restricted by State law and the Commission's investment policy in the types of investments that can be made. Permissible investments per California Government Code Section 53601 and the District's investment policy include the State Local Agency Investment Fund (LAIF), federally insured deposits, bankers' acceptances, commercial paper (rated in the highest tier by a nationally recognized rating agency), money market mutual funds regulated by the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, investment grade obligations of state, provincial, local governments and public authorities, U.S. government agencies, and U.S. Treasury obligations. The proportion of investments in each of the permissible categories is restricted as defined in the California Government Code and further limited by the District's investment policy. The Government Code allows medium term corporate notes, mortgage obligations, and repurchase and reverse repurchase agreements and maturities of up to five years, which are not permitted by the District. The maximum average maturity of investments is two years or less except for bond funds or environmental remediation funds, which have a maximum of ten years. The District's investment policy established safety of principal as the primary investment objective. The District's investment strategy is to realize a reasonable interest yield, and investment decisions are executed with the intent that fixed income securities will be held to maturity.

Allowance for doubtful accounts – The District provides an allowance for receivables if it believes it may not collect in full. It evaluates the collectability of its accounts based on a combination of factors. In circumstances where it is aware of a specific customer's inability to meet its financial obligations (i.e., bankruptcy filings or substantial down-grading of credit ratings), it records a specific allowance. For all other customers, the District recognizes allowances for doubtful accounts based on its historical collection experience. If circumstances dictate (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations), the District's estimates of the recoverability of amounts due may change in the near term. The allowance for doubtful accounts totaled $314,644 at June 30, 2018 and $448,312 at June 30, 2017.

Prepaid expenses – The District incurred expenses that will benefit future periods. These expenses will be amortized over the time period of the expected benefit.

Restricted cash and investments – Assets whose use is restricted to specific purposes by bond indenture or other sources and related liabilities are segregated on the statements of net position. These assets are primarily restricted for construction, debt service, and environmental remediation purposes.

Capital assets – The District's policy is to capitalize all asset additions greater than $1,000 and with an estimated life of more than one year. Capital assets are stated at historical value. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Depreciation is computed using the straight-line method over estimated useful lives of 10 to 75 years for buildings, operating facilities, and land improvements and 3 to 20 years for equipment and fixtures. Amortization of leasehold improvements is for the useful life of the asset or the term of the lease, whichever is shorter. The District depreciates intangible assets over their estimated useful life of ten years. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision to assure that the cost of the respective assets will be written off over their economic lives.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District capitalizes interest incurred on debt, net of interest earned on related debt proceeds, associated with new construction and other capital projects. The amount of capitalized interest recorded for the year ended June 30, 2018 was $603,726 and $618,417 for the year ended June 30, 2017.

Deferred loss on refunding of debt – The difference between reacquisition price of refunded debt and net carrying amount of refunded debt is deferred and amortized as a component of interest expense over the remaining life of the refunded debt or the life of the refunding debt, whichever is shorter. The unamortized deferred loss balances of $468,706 at June 30, 2018 and $519,683 at June 30, 2017 are reported as deferred outflows of resources in accordance with GASB Statement No. 65.

Deferred outflows and inflows of resources – Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflows of resources has a positive effect on net position, similar to assets, and a deferred inflows of resources has a negative effect on net position, similar to liabilities.

Unearned revenue – A portion of storage and rental revenue is considered unearned until the related goods are shipped or rents have been earned in order to match revenues and expenses.

Net position – The District's equity is classified as follows:

Net Investment in capital assets. This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Debt proceeds that have been received for capital assets but not yet expended are not included within this component of net position.

Restricted. This represents assets that have externally-imposed restrictions reduced by liabilities related to those assets.

Unrestricted. Resources not included in other classifications are unrestricted.

Self-insurance – The District is generally self-insured up to certain limits for losses and liabilities related primarily to workers' compensation, health and welfare claims, physical damage to property, business interruption resulting from certain events, and comprehensive general liability. Losses on claims are charged to expense in the period in which the amount of the loss can be reasonably estimated. The District's risk management programs are further discussed in Note 14 to the financial statements.

Income taxes – The District is exempt from state and federal income taxes.

Significant customers – For the years ended June 30, 2018 and 2017, the District earned revenues from the District's top five customers of approximately $17,092,586 and $17,233,387, respectively. This represented approximately 30.5% and 24.6% of total revenues, respectively.

Use of estimates in the preparation of financial statements – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition – The District recognizes revenue from bulk and general cargo as the services are provided. The District recognizes property management income as the lease periods mature. Any assets, liabilities, expenses and revenues created as a result of non-exchange transactions are recognized when all the significant eligibility requirements have been met. A non-exchange transaction occurs when a government receives (or gives) value without directly giving (or receiving) equal value in return.

Use of resources – When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Reclassification and Presentation – Certain reclassifications of prior year's balances have been made to conform with the current year presentation. Balances previously reported as cash and cash equivalents have been reclassified as Cash and Investments. Prior year amounts are presented for comparative purposes only.

NOTE 3 – CASH AND INVESTMENTS

Total cash and investments as presented in the statements of net position are as follows:

	JUNE 30,	
	2018	2017
Current cash and investments:		
Cash and investments	$33,470,802	$ 25,862,662
Cash and investments - restricted	2,001,796	1,642,983
Noncurrent cash and investments:		
Cash and investments - restricted	2,308,104	5,746,236
Total cash and investments	$ 37,780,702	$ 33,251,881

A summary of cash and cash and investment by type is as follows:

	JUNE 30,	
	2018	2017
Cash	$ 484,955	$ 1,493,828
Investments	37,295,747	31,758,053
Total cash and investments	$ 37,780,702	$ 33,251,881

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk

The following deposit and investment risk information is presented for the years ended June 30, 2018 and 2017 in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. As of June 30, 2018, the District had the following investments:

		Investment Maturities	
Investment	Fair Value	Less than 3 mos	4-12 mos
Certificates of Deposit	$ 6,660,000	$ 1,000,000	$ 5,660,000
Money Market Mutual Funds	2,987,322	2,987,322	-
Local Agency Investment Fund	27,648,425	27,648,425	-
Total Investments	$ 37,295,747	$ 31,635,747	$ 5,660,000

As of June 30, 2017, the District had the following investments:

		Investment Maturities	
Investment	Fair Value	Less than 3 mos	4-12 mos
Money Market Mutual funds	$ 6,084,434	$ 6,084,434	$ -
Local Agency Investment Fund	25,673,619	-	25,673,619
Total Investments	$ 31,758,053	$ 6,084,434	$ 25,673,619

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the pooled treasury's portion in the pool. Withdrawals from LAIF are done on a dollar for dollar basis.

The total amount invested by all public agencies in LAIF at June 30, 2018 was $22.5 billion and at June 30, 2017 was $22.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2018 had a balance of $88.8 billion and at June 30, 2017 had a balance of $78.3 billion. Of the $88.8 billion at June 30, 2017, $0.4 billion was held in demand deposits and $88.4 billion was held in investments, and of the $77.5 billion, 2.67% was invested in structured notes and asset-backed securities. Of the $78.3 billion at June 30, 2017, $2.3 billion was held in demand deposits and $75.4 billion was held in investments, and of the $75.4 billion, 2.81% was invested in structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California Government Code. The average maturity of PMIA investments was 193 days as of June 30, 2018 and 194 days as of June 30, 2017.

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72 and generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These inputs and techniques used for valuing securities are not necessarily an indication of the risk associated with investing those securities. As of June 30, 2018, the District's investments in certificates of deposit and money market mutual funds is classified in Level 2, and the investment in the Local Agency Investment Fund is exempt from fair value measurement disclosures. As of June 30, 2017, the District's investment in the money market mutual funds are measured using level 2 inputs. Investment securities classified in level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for the securities. The District's investments at the State of California Local Agency Investment Fund are exempt from fair value measurement disclosures.

Interest Rate Risk

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The District's formal investment policy limits investment maturities to two years on its regular operating funds as a means of managing its exposure to fair value losses from changes in interest rates. Government Code 53601 allows some select investments to have a maturity term of up to five years. The District has minimal interest rate risks because the majority of its fixed income investments are negotiable certificates of deposit which are held to maturity. As of June 30, 2018 the negotiable certificates of deposit have interest rates ranging from 1.61% to 2.55%. The District's bond, environment remediation, and grant funds are invested in money market accounts, money market mutual funds, LAIF, negotiable certificates of deposit, and interest-bearing contracts to assure the availability of reimbursement funds for projects in accordance with Government Code 53601.5.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party.

Deposits that potentially subject the District to custodial credit risk consist of demand deposits, non-negotiable certificates of deposit, and money market accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). It is the practice of the District to place its demand deposits, non-negotiable certificates of deposit, and money market accounts with a number of high-credit, quality financial institutions to limit the exposure to loss by any one institution. The District had deposits of $213,323 at June 30, 2018 and $609,316 at June 30, 2017, which were not covered by the FDIC insurance. Those cash balances over the FDIC limit were not collateralized as of June 30, 2018 as required by the California Government Code. It was discovered that the bank did not collateralized the District's accounts. As of August 1, 2018, all of the District's funds were properly collateralized.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

As described in Note 2, the permissible investments include the State Local Agency Investment Fund (LAIF), federally insured deposits, banker's acceptances, commercial paper (rated in the highest tier by a nationally recognized rating agency), money market mutual funds regulated by the SEC, investment grade obligations of state, provincial, local governments and public authorities, U.S. government agencies, and U.S. Treasury obligations.

As of June 30, 2018, the District's investment in money market mutual funds were rated AAA, and Aaa by Standard & Poor's and Moody's Investors Service, respectively. As of June 30, 2017, the District's investment money market mutual funds were rated AAAm and Aaa by Standard and Poor's and Moody's Investors Service, respectively. The investment in Local Agency Investment Fund was not rated.

NOTE 4 – RESTRICTED FUNDS

The restricted funds as of June 30 are as follows:

	2018	2017
Debt service reserves fund	$ 97	$ 1,078,808
Loan reserve fund	746,707	743,669
Loan construction fund	2,986,306	5,002,569
Total bonds and loan funds	3,733,110	6,825,046
Dissolved oxygen aeration facility funds	136,414	132,432
Healthcare Reimbursement Account	158,211	166,491
Public benefits program	282,165	265,250
Total cash and investments	$ 4,309,900	$ 7,389,219

Restricted funds are classified as follows as of June 30:

	2018	2017
Current restricted cash and investments	$ 2,001,796	$ 1,642,983
Non-current restricted cash and investments	2,308,104	5,746,236
Total restricted funds	$ 4,309,900	$ 7,389,219

The debt service reserve fund and loan construction fund represent proceeds from the issuance of the 2007B improvement and refunding bonds and the 2016 Series A & B bonds. These funds are restricted for the final payment of the 2007 series B bond and future construction projects. These amounts are required by the bond and loan agreements to be reserved. The debt service reserve fund represents the required reserves and is in compliance with the reserve calculations. The loan reserve fund represents proceeds from the issuance of the 2013 Compass Bank installment sale agreement, which are invested to meet the reserve requirements.

The dissolved oxygen aeration facility funds represent contributions from external parties in accordance with an agreement for the funding and operation of the facility.

NOTE 4 – RESTRICTED FUNDS (CONTINUED)

As part of the health care benefit, should the employee elect to utilize this benefit, the District will pay up to $2,081 for family coverage, $1,601 for a two person family, and $800 for single coverage per employee towards their healthcare premium. If the employee chooses a health care plan premium that is less per month, the differential amount is put into their Healthcare Reimbursement Account (HRA). Those funds can be used by that employee for other healthcare expenses. An outside agency monitors and approves those expenses to make sure they are compliant with government regulations. The balance of the HRA account as of June 30, 2018 was $158,211 and $166,491 as of June 30, 2017.

The public benefits program is for District tenants that purchase electricity on the West Complex. Additional information on this program is disclosed in Note 12.

Restricted funds for environmental remediation represent proceeds received from the United States Navy (the Navy) less amounts disbursed by the District for the costs of environmental cleanup related to land and facilities conveyed to the District by the Navy.

NOTE 5 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2018 are as follows:

	Balance, Beginning	Additions	Retirements	Transfers in (out)	Balance, Ending
Total capital assets, not being depreciated					
Land	$ 28,521,675	$ 18,143	$ -	$ -	$ 28,539,818
Construction in progress	13,849,136	25,236,385	-	(3,991,446)	35,094,075
Total capital assets, not being depreciated	42,370,811	25,254,528	-	(3,991,446)	63,633,893
Total capital assets, being depreciated					
Buildings, operating facilities and land improvements	173,476,284	1,510,982	(5,462)	3,869,523	178,851,327
Leasehold improvements	11,408,820	100,046	-	-	11,508,866
Intangible assets	4,257,067	9,912	-	69,142	4,336,121
Equipment and fixtures	53,721,604	615,920	(121,670)	52,781	54,268,635
Total capital assets, being depreciated	242,863,775	2,236,860	(127,132)	3,991,446	248,964,949
Less accumulated depreciation:					
Buildings, operating facilities and land improvements	78,826,598	7,136,134	(5,463)	-	85,957,269
Leasehold improvements	7,138,465	520,602	-	-	7,659,067
Intangible assets	1,611,479	568,104	-	-	2,179,583
Equipment and fixtures	24,562,129	2,607,384	(121,243)	-	27,048,270
Total accumulated depreciation	112,138,671	10,832,224	(126,706)	-	122,844,189
Total capital assets, being depreciated, net	130,725,104	(8,595,364)	(426)	3,991,446	126,120,760
Capital assets, net	$ 173,095,915	$ 16,659,164	$ (426)	$ -	$ 189,754,653

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The changes in capital assets for the year ended June 30, 2017 are as follows:

	Balance, Beginning	Additions	Retirements	Transfers in (out)	Balance, Ending
Total capital assets, not being depreciated					
Land	$ 28,486,593	$ 35,082	$ -	$ -	$ 28,521,675
Construction in progress	31,038,099	7,112,440	-	(24,301,403)	13,849,136
Total capital assets, not being depreciated	59,524,692	7,147,522	-	(24,301,403)	42,370,811
Total capital assets, being depreciated					
Buildings, operating facilities and land improvements	148,159,877	1,015,004	-	24,301,403	173,476,284
Leasehold improvements	11,301,465	107,355	-	-	11,408,820
Intangible assets	4,247,154	9,913	-	-	4,257,067
Equipment and fixtures	53,432,792	317,008	(28,196)	-	53,721,604
Total capital assets, being depreciated	217,141,288	1,449,280	(28,196)	24,301,403	242,863,775
Less accumulated depreciation:					
Buildings, operating facilities and land improvements	71,847,909	6,978,689	-	-	78,826,598
Leasehold improvements	6,596,060	542,405	-	-	7,138,465
Intangible assets	1,053,392	558,087	-	-	1,611,479
Equipment and fixtures	21,946,934	2,643,391	(28,196)	-	24,562,129
Total accumulated depreciation	101,444,295	10,722,572	(28,196)	-	112,138,671
Total capital assets, being depreciated, net	115,696,993	(9,273,292)	-	24,301,403	130,725,104
Capital assets, net	$ 175,221,685	$ (2,125,770)	$ -	$ -	$ 173,095,915

A significant portion of the District's land, facilities and equipment are leased to tenants under operating leases. The book value of capital assets leased is $16.1 million. Minimum future rental income on non-cancelable operating leases on District facilities is as follows:

Year ending June 30:	
2019	$ 12,021,982
2020	8,453,902
2021	7,047,389
2022	6,295,236
2023	5,457,526
Thereafter	99,920,378
	$ 139,196,413

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The minimum future rental income does not include any adjustments for the unearned revenue for capital credits given for tenant paid improvements (see note 7). Rental income under these leases was $18,964,810 for 2018 and $18,489,177 for 2017. This does not include leases with contingency clauses related to waterborne tonnages shipped across the docks. The income for those was $2,228,523 for 2018 and $1,798,387 for 2017 and was included in the terminal revenue as part of wharfage for bulk cargo.

The District has recorded $1,944,437 as of June 30, 2018 and $1,944,437 as of June 30, 2017 as equipment that has been capitalized under lease purchase agreements and the related accumulated amortization was $1,152,442 as of June 30, 2018 and $908,653 as of June 30, 2017. Amortization of assets under capital leases is included in depreciation expense.

NOTE 6 – ACCRUED LIABILITIES

The components of accrued liabilities are as follows as of June 30:

	2018	2017
Vacation and sick leave - current portion (see note 9)	$ 843,934	$ 995,088
Payroll accrual	414,985	394,361
Public benefits program - current portion (see note 12)	75,000	75,000
Healthcare reimbursement account	158,211	132,432
Self-insurance - current portion (see note 14)	297,299	225,335
Pollution remediation liabilities (see note 13)	1,016,500	1,016,500
Pension plan withdraw liability - current portion (see note 10)	195,507	-
Other	1,054,605	1,284,728
Total accrued liabilities	$ 4,056,041	$ 4,123,444

The long-term portion of self-insurance and vacation and sick leave liabilities are included in the other long-term liabilities on the statements of net position. The long-term portion of the public benefits program is included in the liabilities payable from restricted assets on the statement of net position.

NOTE 7 – UNEARNED REVENUE

The components of unearned revenue are as follows at June 30, 2018:

	Current	Current Restricted	Non-current	Total
Tenant paid improvements	$ 79,080	-	$ 109,165	$ 188,245
Prepaid rent	463,968	-	-	463,968
Contributions for the Stockton Deep Water Ship Channel Aeration Facilities	-	89,282	-	89,282
Total unearned revenue	$ 543,048	$ 89,282	$ 109,165	$ 741,495

The District has agreed to reduce certain tenants' rent by the improvements paid for by the tenants over the life of the lease in various operating lease agreements. The District has unearned lease revenue of $188,245 of June 30, 2018, and is recognizing the revenue in a straight-line basis over the lease term. The liability is created when the related capital assets are recorded. The following is a schedule of future lease obligations related to tenant lease improvements:

NOTE 7 – UNEARNED REVENUE (CONTINUED)

Year ending June 30:		
2019	$	79,080
2020		60,000
2021		49,165
	$	188,245

Also, included in unearned revenue as of June 30, 2018, the District had $463,969 in prepaid rent received for July 2018 and funds totaling $89,282 contributed from other parties towards the operation and maintenance of the Stockton Deep Water Ship Channel Aeration Facilities.

As of June 30, 2017, the District had $523,573 in prepaid rent received for July 2017 and funds totaling $109,547 contributed from other parties towards the operation and maintenance of the Stockton Deep Water Ship Channel Aeration Facilities.

NOTE 8 – SHORT-TERM OBLIGATIONS

A note payable to the Triumph Premium Corporation with an original face value of $892,814 is uncollateralized. The interest and principal payments are due October 2017 through June 2018 in monthly payment installments of $100,404 with an annual interest rate of 2.5%. The debt was used to finance some of the annual insurance premiums for the 2017/2018 policy period.

Changes in the District's short-term obligations for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Triumph Premium Corporation	$ -	$ 892,814	$ 892,814	$ -

NOTE 9 – LONG-TERM LIABILITIES

Revenue Bonds:
In May 2007, the District issued the 2007 Revenue and Refunding Bonds (2007 Bonds) for $29,730,000. Projects funded by these bonds include electrical utility upgrades, road and paving improvements, sewer upgrades, railroad yard improvements, and bridge upgrades. In November 2016, the District refunded the 2007 series A Bonds. The bond debt service obligation 2007 Bonds series B for the 2018 fiscal year was $1,078,613. The interest rate ranged from 4.0% to 5.45% with installments through 2018 and 2033. The net revenues from the District are pledged for the 2007 Bonds. The 2007 Bonds are subject to the Internal Revenue Service arbitrage requirements.

In November 2016, the District issued the 2016 Bonds to fully refund the 2002 California Infrastructure and Economic Development Bank Installment Sale Agreement and the 2007 series A Bonds for savings in future debt service, and issued $5 million in new debt for infrastructure projects. The projects include paving, terminal upgrades and stormwater upgrades at the District. The bond debt service obligation for the 2018 fiscal year was $1,283,273. The interest rate ranged from 1.62% to 4.0% with installments through 2037. The reacquisition price exceeded the net carrying amount of the old debt by $476,676. This deferred loss is amortized over the term of the 2016 Bonds. The refunding achieved $3.5 million in future debt service savings for a net economic gain of $3.2 million. On July 1, 2018, the outstanding 2007 series A Bonds were defeased for $19,755,000. The net revenues from the District are pledged for the 2016 Bonds. The 2016 Bonds are subject to the Internal Revenue Service arbitrage requirements.

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Installment Sale Agreements:
The 2002 Installment Sale Agreement payable to the California Infrastructure and Economic Development Bank (CIEDB) was originally issued for $10,000,000. The funds were used to build the Port of Stockton Expressway Bridge (AKA the Daggett Road Bridge), upgrade McCloy Street, upgrade terminal facilities, and improve the sewer system at the West Complex. The CIEDB Installment Sale Agreement was refunded on November 16, 2016. The debt service obligation for the 2018 fiscal year was $0.00. The interest rate is 3.21% with installments through 2032. The District's net revenues are pledged for the 2002 Installment Sales Agreement. The 2002 Installment Sale Agreement is subject to the Internal Revenue Service arbitrage requirements.

In February 2013, the District issued an installment sale agreement loan with Compass Bank in the amount of $8,356,058 to refund the 2001 Revenue Bonds which funded electrical upgrades, dredging, terminal improvements, road construction and improvements to the Navy Drive Bridge. The debt service obligation for the 2018 fiscal year was $737,940. The interest rate is 3.1% with installments through 2027. The District's net revenues are pledged for the 2013 Installment Sale Agreement.

In June 2016, the District issued a loan agreement with Western Alliance Bank in the amount of $8,200,000 to fund a rail yard capital improvement project at the District. The debt service obligation for the 2018 fiscal year was $654,794. The interest rate is 4.99% with installments through 2037. The District's net revenues are pledged for the 2016 Loan Agreement.

Pledged Revenue:
The agreements for the 2007 series B Bonds, the 2013 Compass Bank Installment Sales Agreement, the 2016 Western Alliance Bank Loan, and the 2016 Bonds are parity debt that have priority of payment for all of the District's annual revenue. The net pledged revenues were $21,195,982 and the maximum total annual debt service was $4,549,956 as of June 30, 2018, which resulted in debt ratio coverage of 466% for 2018. The net pledged revenues were $17,077,255 and the maximum total annual debt service was $3,827,076 as of June 30, 2017, which resulted in debt ratio coverage of 446%. Net revenue is pledged for the remaining total debt service on the 2007 Bonds, the 2002 Installment Sales Agreement, the 2013 Installment Sales Agreement, the Western Alliance Bank loan and the 2016 Bonds of $53,592,969 as of June 30, 2018 and $58,301,336 as of June 30, 2017.

Notes Payable:
A note payable the San Joaquin Council of Government with a face value of $624,163 is uncollateralized. The interest and principal payments are due August 2015 through July 2017 in monthly installments of $35,436 with an interest rate of 4.77%. The debt was used for engineering fees for the Navy Drive BNSF rail underpass and matured on July 10, 2017.

A note payable the San Joaquin Council of Government with a face value of $602,900 is uncollateralized. The interest and principal payments are due November 2015 through October 2018 in monthly installments of $18,027 with an interest rate of 4.77%. The debt was used for the purchase of the Sanguinetti property and will mature on November 10, 2018.

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

A note payable the San Joaquin Council of Government with a face value of $1,297,100 is uncollateralized. The interest and principal payments are due July 2018 through July 2021 in monthly installments of $38,220 with an interest rate of 3.69%. The debt was used for the Navy Drive Widening Project and will mature on July 10, 2021.

Annual maturities of revenue bonds, installment sales agreements, and notes payable for years subsequent to June 30, 2018 are as follows:

Year Ending June 30:	Principal	Interest
2019	$ 2,840,396	$ 1,504,167
2020	2,883,235	1,429,082
2021	3,411,767	1,344,955
2022	3,900,245	1,248,730
2023	2,742,251	1,129,927
2024-2028	14,691,252	3,959,249
2029-2033	9,352,008	1,441,488
2034-2037	2,893,981	266,075
	$ 42,715,135	$ 12,323,673

Capital Leases:

A capital lease with the NMHG Financial Services with an original face value of $169,449 is collateralized by six forklifts. The interest and principal payments are due in monthly installments of $3,083 with an annual interest rate of 3.50%. The capital lease was for equipment and matured on January 7, 2018.

A capital lease with the NMHG Financial Services with an original face value of $657,954 is collateralized by a reach-stacker. The interest and principal payments are due in monthly installments of $11,969 with an annual interest rate of 3.50%. The capital lease was for equipment and matured on February 26, 2018.

A capital lease with the NMHG Financial Services with an original face value of $657,954 is collateralized by a reach-stacker. The interest and principal payments are due in monthly installments of $11,969 with an annual interest rate of 3.50%. The capital lease was for equipment and will mature on July 1, 2018 but the final payment was paid before June 30, 2018.

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Changes in the District's long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance, June 1, 2017, as restated	Additions	Reductions	Balance, June 30, 2018	Current Portion
Revenue Bonds:					
2007 B Bonds/taxable	$ 1,050,000	$ -	$ 1,050,000	$ -	$ -
2006 A Bonds	21,740,000	-	-	21,740,000	-
2016 A Bonds (premium)	1,591,382	-	83,562	1,507,820	83,562
2016 B Bonds	7,145,000	-	1,145,000	6,000,000	1,560,000
Total Revenue Bonds	31,526,382	-	2,278,562	29,247,820	1,643,562
Installment Sale Agreement:					
2013 Compass Bank Loan	6,303,595	-	546,732	5,756,863	563,812
Western Alliance Bank Loan	8,103,335	-	253,562	7,849,773	266,374
Total Installment Sale Agreements	14,406,930	-	800,294	13,606,636	830,186
Notes Payable:					
San Joaquin Council of Gov't Loan 13/14	27,393	-	27,393	-	-
San Joaquin Council of Gov't Loan 15/16	278,928	-	207,529	71,399	71,399
San Joaquin Council of Gov't Loan 17/18	-	1,297,100	-	1,297,100	378,811
Total Notes Payable	306,321	1,297,100	234,922	1,368,499	450,210
Capital Leases:					
NMHG/forklifts	21,329	-	21,329	-	-
NMHG/Reach Stacker I	94,509	-	94,509	-	-
NMHG/Reach Stacker II	140,945	-	140,945	-	-
Total Capital Lease Obligation	256,783	-	256,783	-	-
Total long-term debt	46,496,416	1,297,100	3,570,561	44,222,955	2,923,958
Other long-term liabilities:					
Total OPEB liability (see note 11)	843,475	622,525	19,396	1,446,604	-
Pollution remediation (see note 13)	1,772,300	800,591	800,591	1,772,300	1,016,500
Self-insurance (see note 14)	828,008	699,682	317,305	1,210,385	297,299
Vacation and sick leave	1,876,261	1,093,933	1,215,522	1,754,672	843,934
Public benefits program (see note 12)	265,250	72,219	55,304	282,165	75,000
Pension plan withdrawal liability (see note 10)	2,434,330	-	199,005	2,235,325	195,507
Total other long-term liabilities	8,019,624	3,288,950	2,607,123	8,701,451	2,428,240
Total long-term liabilities	$ 54,516,040	$ 4,586,050	$ 6,177,684	$ 52,924,406	$ 5,352,198

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Changes in the District's long-term liabilities for the year ended June 30, 2017 are as follows:

	Balance, July 1, 2016	Additions	Reductions	Balance, June 30, 2017	Current Portion
Revenue Bonds:					
2007 A bonds/tax exempt	$ 19,975,000	$ -	$ 19,975,000	$ -	$ -
2007 B bonds/taxable	2,045,000	-	995,000	1,050,000	1,050,000
2006 A Bonds	-	21,740,000	-	21,740,000	-
2016 A Bonds (premium)	-	1,643,376	51,994	1,591,382	83,562
2016 B Bonds	-	7,145,000	-	7,145,000	1,145,000
Total Revenue Bonds	22,020,000	30,528,376	21,021,994	31,526,382	2,278,562
Installment Sale Agreement:					
2002 CIEDB Loan	6,914,339	-	6,914,339	-	-
2013 Compas Bank Loan	6,833,765	-	530,170	6,303,595	546,732
Western Aliance Bank Loan	8,200,000	-	96,665	8,103,335	253,562
Total Installment Sale Agreements	21,948,104	-	7,541,174	14,406,930	800,294
Notes Payable:					
Triumph Premium Corporation	-	585,212	585,212	-	-
San Joaquin Council of Gov't Loan 13/14	347,776	-	320,383	27,393	27,393
San Joaquin Council of Gov't Loan 15/16	476,816	-	197,888	278,928	207,529
Total Notes Payable	824,592	585,212	1,103,483	306,321	234,922
Capital Leases:					
NMHG/forklifts	56,895	-	35,566	21,329	21,329
NMHG/Reach Stacker I	232,210	-	137,701	94,509	94,509
NMHG/Reach Stacker II	277,050	-	136,105	140,945	140,945
Total Capital Lease Obligation	566,155	-	309,372	256,783	256,783
Total long-term debt	45,358,851	31,113,588	29,976,023	46,496,416	3,570,561
Other long-term liabilities:					
OPEB obligation (see note 11)	765,871	82,000	4,396	843,475	-
Pollution remediation (see note 13)	837,199	1,444,273	509,172	1,772,300	1,016,500
Self-insurance (see note 14)	794,729	316,195	282,916	828,008	225,335
Vacation and sick leave	1,938,089	1,080,941	1,142,769	1,876,261	995,088
Public benefits program (see note 12)	282,010	66,817	83,577	265,250	75,000
Pension plan withdrawal liability (see note 10)	2,619,452	-	185,122	2,434,330	181,868
Total other long-term liabilities	7,237,350	2,990,226	2,207,952	8,019,624	2,493,791
Total long-term liabilities	$ 52,596,201	$ 34,103,814	$ 32,183,975	$ 54,516,040	$ 6,064,352

NOTE 10 – PENSION BENEFITS

Defined Contribution Plan

The District provides pension benefits for qualified administration, police, maintenance, and warehouse employees through the Stockton Port District Money Purchase Pension Plan (the Plan). Maintenance and Warehouse employees joined the Plan effective March 2016. The Plan is intended to be a qualified defined contribution retirement plan under Internal Revenue Code section 401(a). The Plan is administered by the Administrative Committee of the Stockton Port District Money Purchase Pension Plan. Through a Board Resolution in 1991, the District's Board of Commissioners granted the Port Director the authority to establish and maintain a pension program for those District employees. The plan does not issue a separate stand-alone report. Participants are required to contribute up to 5% of covered compensation in order to receive the District's 15% matching contribution of eligible employee compensation. Funds are deducted and submitted to the trust company on a monthly basis. Pension contributions made by the District were $1,247,761 and $1,239,874 for the years ended June 30, 2018 and 2017, respectively. Pension contributions made by Plan participants were $414,499 and $412,020 for the years ended June 30, 2018 and 2017, respectively.

Defined Benefit Plan

Plan Description

Through February 2016, the District offered a separate pension benefits program to the maintenance and warehouse employees who are a part of the International Longshore Workers' Union (ILWU, Local 6) members' labor union. The Distributors Association Warehousemen's Pension Trust (the Plan) was established and is amended from time to time as a result of collective bargaining between the Industrial Employers and Distributors Association (IEDA) and ILWU, Local 6. It is a cost-sharing multi-employer defined benefit pension plan. The Plan is not a state or local government plan and consists of multiple private employers where the District is the only public agency that subscribes to the Plan. Any financial information the District receives relates to the cost-sharing Plan as a whole. The Plan is administered by IEDA. It does not issue a stand-alone financial report but is included in the report issued by the Trust and can be obtained from the IEDA, 2200 Powell Street, Emeryville, CA 94608, (510) 653-6770. As of June 30, 2015, the whole Plan included 1,075 covered active employees; 2,543 retirees and beneficiaries; and 1,012 terminated vested employees for a total of 4,630 total participants. Of the total, 39 covered active employees were current District employees.

In February 2016, the District withdrew from the ILWU, Local 6 pension plan. The Plan was underfunded and in critical status designation. If efforts to rehabilitate the Plan fail and it becomes insolvent, the administrators would apply to the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency, for a loan that would be sufficient to pay the benefits at a guaranteed level. To withdraw from the Plan, the District agreed to pay the plan the withdrawal liability amount of $2,663,678. The District recorded this liability in long-term liabilities (see Note 9). The District is paying the plan $30,570 on a monthly basis for 123 payments to pay this liability and related interest. The District can pay, without penalty, the balance owed to be relinquished of this liability. The withdrawal liability was $2,235,325 and $2,434,330 as of June 30, 2018 and 2017, respectively.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description
The District provides medical benefits through the California Public Employees' Retirement System (CalPERS) Public Employees' Medical and Hospital Care Act (PEMHCA) program to retired full-time salaried administrative and security employees and their dependents that meet eligibility requirements, of 55 years of age or older and 5 years of service, through its plan. The District also provides self-insured vision and dental coverage (see Note 14).

Benefits Provided
The District provides other postemployment benefits (OPEB) cash subsidy that is a percentage of the PEMHCA minimum amount. The subsidy is $40 per month or 30% of the PEMHCA minimum amount of $133 for the year ended June 30, 2018. The percentage increases 5% each year until it reaches 100% in 2032. The retirees are responsible for the balance of the PEMHCA minimum amount. The plan does not issue a separate stand-alone report.

Covered Employees
As of the June 30, 2017 actuarial valuation, the following employees were covered under the plan:

Inactive currently receiving benefits	13
Inactive entitled to but not yet receiving benefits	9
Active employees	68
Total	90

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2017
Actuarial assumptions:	
Discount rate	3.58%
Inflation	2.75% per annum
Mortality, retirement, disability, termination	CalPERS 1997-2015 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-17
Salary increases	Aggregate 3% based on the CalPERS 1997-2015 experience study
Healthcare cost trend rates	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Participation at retirement of active employees	60%

The discount rate was based on the bond buyer 20 year index

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability
The following tables show the components of the District's annual OPEB cost, the amount paid by the employer as benefits came due, and changes in the OPEB liability for fiscal year June 30, 2018. The District's total OPEB liability of $1,446,604 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

	Total OPEB Liability
Balance at June 30, 2017	$ 1,493,000
Changes for the year:	
Service cost	107,000
Interest	46,000
Assumption changes	(180,000)
Benefit payments	(19,396)
Net changes	(46,396)
Balance at June 30, 2018	1,446,604

Sensitivity of Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	Discount Rate		
	1% Decrease 2.58%	Current Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	$1,701,000	$1,446,604	$1,240,000

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	Healthcare Trend Cost Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	$1,214,000	$1,446,604	$1,744,000

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources related to OPEB
For the year ended June 30, 2018, the District recognized OPEB expense of $107,104 and reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Defered Outflows of Resources	Defered Inflows of Resources
Change in assumptions	$ -	$ 158,000
Amounts paid by the employee for OPEB as benefits came due subsequent to the measurement date	23,896	-
	$ 23,896	$ 158,000

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The amount of $23,896 reported as deferred outflows of resources related to the amounts paid by the employer for OPEB as the benefits came due subsequent to the measurement date will be recognized as reductions to the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

Fiscal Year Ended	Defered Inflows of Resources
2019	(22,000)
2020	(22,000)
2021	(22,000)
2022	(22,000)
2023	(22,000)
Thereafter	(48,000)
Total	(158,000)

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The District is a defendant in various claims and legal actions that have resulted from the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

The District has authorized, or made commitments for, the Navy Drive Bridge and Navy Drive Widening construction projects, totaling $11,115,641 as of June 30, 2018.

The District received grants for the funding of Homeland Security Projects through the Department of Homeland Security. Other funding sources for the other projects will be from loans, previous awarded grants, and District revenues.

The District has a Public Benefits Program for tenants that purchase electricity on the West Complex. During the late 1990's the California Legislature restructured the state's electric utility industry with the goal of providing more competition in the industry. As part of that legislation, investor owned and publically owned utilities were required to incentivize customers to 1) install demand side management, energy conservation and efficiency measures; 2) fund renewable energy equipment; 3) fund research and development; and 4) provide low income residential rate relief. The requirements were implemented through changes to the Public Utilities Code section 385 and require all California public benefit fees be charged through its retail electric rates of 2.85% of sales since 2008. The balances of these funds at June 30, 2018 and 2017 were $282,165 and $265,250, respectively and were reported as current restricted cash and cash equivalents.

The District's Public Benefits Program (for energy efficient electric users) offers rebates for verifiable improvements in the energy use of lighting fixtures and electric motors. The Program is modeled after California's "Statewide Customized Offering Procedures Manual for Business" and focuses on verification of savings for the District's tenants as well as savings in the District's cost of power supply. The District offers cash incentives to its tenants for qualifying lighting and electric motor energy efficiency projects.

The District is considering the development of a photovoltaic generating plant to assist it in meeting its renewable energy requirements under California's Renewable Portfolio Program. Development costs for this project were charged to the Public Benefits account.

NOTE 13 – POLLUTION REMEDIATION OBLIGATION

In 2003, the Navy advanced the District $23.7 million for the environmental remediation of Rough and Ready Island. The Navy has retained its financially responsibility for the environmental remediation of Rough and Ready Island with any liability associated with catastrophic conditions, such as: the discovery of military munitions; chemical, radiological or biological warfare agents; unexploded ordinance; natural resource damage and deep ground water contamination. The District has used the funds from the Navy's restricted reserve. The balance of the advanced restricted funds as of June 30, 2018 and 2017 was, $0 and $0 respectively, is presented on the District's statements of net position as pollution remediation liability payable from restricted assets. Each year the costs of remediation and potential liability are re-evaluated based on remediation and environmental requirements. The District has determined that the estimated cost to complete the West Complex remediation is $1,686,300 as of June 30, 2018 and $1,686,300 as of June 30, 2017.

The District has also accrued an additional balance amount of $86,000 and $86,000 as of June 30, 2018 and 2017, respectively, as the potential cost of future environmental remediation on the East Complex. At the District's bulk facility area, the Central Valley Regional Water Quality Board has required monitoring for contamination. The District has estimated those costs based on past actual expenses and the tenants that use those facilities share in those costs.

These obligation amounts are included as $1,016,500 in current unrestricted accrued liabilities, and $755,800 in other long-term liabilities presented on the District's statements of net position.

NOTE 14 – RISK MANAGEMENT PROGRAMS

The District is self-insured up to $500,000 for each workers' compensation claim for the first year, $300,000 for the second year and $200,000 for the third year and $200,000 every year thereafter for that same claim. The District self-insures for dental and vision claims and there is no excess of insurance. There is a limited maximum benefit per person of $1,810 per year for the dental and vision coverage. Liabilities for self-insurance are reported based on GASB Statement No. 30. GASB Statement No. 30 requires that a liability for claims be based on the estimated ultimate cost of settling the claims and using past experience adjusted by current trends or other factors that would modify the past experience. The current portion of the liability is recorded as a component of accrued liabilities. The long-term portion of the liability is recorded as a component of the other long-term liabilities. The District recognizes allocated claim adjustment expenses as a provision charged to operations in the period incurred. The IBNR (incurred but not reported) estimated costs for the dental and vision program are calculated by the administrator, Combined Benefits Administrators LLC, using historical trends.

The District carries deductibles of $100,000 for property damage, business interruption, loss of rental revenue, terminal operators and wharfinger's liability, and general and property liability insurance. The District is self-insured for both flood and earthquake damage.

There was no reduction in insurance coverage from the prior year. There have been no settlements in excess of insurance coverage in any of the past three years.

NOTE 14 – RISK MANAGEMENT PROGRAMS (CONTINUED)

Changes in the liability for workers' compensation and dental and vision are as follows for the year ended June 30, 2018:

	Compensation	Vision	Total
Balance, July 1	$ 702,712	$ 125,296	$ 828,008
Claims paid during the year	(188,160)	(129,145)	(317,305)
Net provision charged to operations	567,778	131,904	699,682
Balance, June 30	$ 1,082,330	$ 128,055	$ 1,210,385
Current portion	$ 169,244	$ 128,055	$ 297,299
Long-term portion	913,086	-	913,086

Changes in the liability for workers' compensation and dental and vision are as follows for the year ended June 30, 2017:

	Compensation	Vision	Total
Balance, July 1	$ 706,113	$ 88,616	$ 794,729
Claims paid during the year	(173,943)	(108,973)	(282,916)
Net provision charged to operations	170,542	145,653	316,195
Balance, June 30	$ 702,712	$ 125,296	$ 828,008
Current portion	$ 100,039	$ 125,296	$ 225,335
Long-term portion	602,673	-	602,673

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Maintenance Assessment District 1999-1

The District, in conjunction with Contra Costa County Water Agency, created an assessment district on November 19, 1999. The purpose of the assessment district is to provide for local sponsorship via a benefit assessment on owners of real property fronting or otherwise benefiting from the operation and maintenance of the John F. Baldwin (Avon to New York Slough) and Stockton Deep Water Ship Channel. The governing body of the Maintenance Assessment District 1999-1 is a steering committee comprised of the Supervisor of District Five of the Board of Supervisors of the County and the Executive Director of the District. The Assessment District is currently being reviewed by the Contra Costa County Water Agency for its possible dissolution. Recently, some of the private companies in the area have begun to participate in the dredging program and there may not be a need in the future to have the special assessment district. Financial reports may be obtained from the Contra Costa Water Agency, 651 Pine Street, Fourth Floor, Martinez, California 94553.

NOTE 16 – SUBSEQUENT EVENTS

The District signed an infrastructure construction contract for the Dock 12/13 Rehabilitation Project for $5,976,000 in July 2018. The 2016 Bonds and District funds will fund this project.

The District signed a loan agreement with Triumph Premium Finance to finance a portion of the District's insurance program. The loan is for $860,987 for nine months with a 2.95% interest rate.

NOTE 17 – RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2018, the District implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the District restated the net position as of July 1, 2017 to reflect the prior period costs related to the implementation of the OPEB liability. These restatements are summarized as follows:

Statement of Net Position:	2017 Previously Presented	Restatement	2017 Restated
OPEB obligation	$ (843,475)	$ 843,475	$ -
OPEB liability	-	(1,493,000)	(1,493,000)
Deferred outflows of resources related to OPEB	-	19,396	19,396
Net position, beginning of year	$ 157,922,378	$ (630,129)	$ 157,292,249

Required Supplementary Information

Port of Stockton

Stockton, California

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS*

	Total OPEB Liability
Total OPEB Liability (beginning of year)	$ 1,493,000
Changes for the year:	
Service cost	107,000
Interest	46,000
Assumption changes	(180,000)
Benefit payments	(19,396)
Net changes	(46,396)
Total OPEB Liability (end of year)	$ 1,446,604
Covered employee payroll	$ 6,849,000
Total OPEB Liability as a percentage of covered employee payroll	21%

Notes:

1) Funding Policy: The District's funds the benfits on a pay-as-you-go basis. No assets are accumulated in a trust.
2) *Fiscal year 2018 was the first year of implementation of GASB 75, therefore only one year is presented.

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Statistical Section

Port of Stockton

Stockton, California

Outstanding Construction in Progress Detail
June 30, 2018

Project Description	Balance
Dredging Rough & Ready Island	$ 120,077
Dredge the Deep Water Channel to 40 FT	4,056,378
Navy Drive Bridge - West Complex	17,334,226
Dredging Docks 6-9	6,669
Fireline Upgrade	10,361
Infrastructure Improvements - Rail/Sewer/Water	568,335
Sotrm Water Vault Drains	215,206
South Ditch Upgrade	149,484
Safe Drains	17,664
Annual Maintenance Dredging	165,359
Sanitary Sewer System - West Complex	94,994
Lindley House Improvement	318,727
Cyber Security	1,049,134
Navy Drive Widening Project	10,021,213
Dock 23/13 Upgrade	568,852
Port Police Fusion Center	5,688
West Complex Utility Improvements	346,016
Fyffe Avenue Grade Separation	45,692
Total Outstanding Construction in Progress	$35,094,075

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Stockton Port District
Statistical Section

The Statistical Section provides detail information for prior year's information as a context for understanding the financial statements, note disclosures, and the required supplementary information. The information is presented in these categories:

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Operating Revenues:	**2018**	**2017**	**2016**
General Cargo	$7,939,378	$10,120,217	$11,448,484
Bulk Cargo	22,022,538	16,921,173	16,135,872
Property Management	25,804,740	24,492,674	25,028,624
Other	283,538	238,205	200,416
Total	56,050,194	51,772,269	52,813,396
Operating Expenses:			
Wages & Salaries	9,299,846	9,046,433	9,099,440
Fringe Benefits	5,258,566	4,815,596	7,370,723
Other Operating Costs	20,745,204	21,160,161	22,685,348
Depreciation Expense	10,832,224	10,722,572	9,718,388
Total	46,135,840	45,744,762	48,873,899
Net Operating Income (Loss)	9,914,354	6,027,507	3,939,497
Nonoperating Income (Expense) and Capital Contributions:			
Interest Income and Other Nonoperating Income	450,830	240,192	147,250
Interest Expense and Other Nonoperating Expense	(1,091,794)	(1,373,031)	(941,859)
Net Contributed Capital/Grants (1)	14,925,472	2,905,067	7,168,892
Extraordinary Item (2)	-	-	-
Net Nonoperating Income (Expense) and Capital Contributions/Extraordinary Items	14,284,508	1,772,229	6,374,283
Change in Net Position	$24,198,862	$7,799,736	$10,313,780

(1) Property received from the Navy (GASB 33), TSA Security Grants, & DOT

(2) Transfer property to the State of California as part of a cooperative agreement

(3) For years ending June 30, 2013 and 2012, figures have been restated for the implementation of GASB No. 65.

2015	2014	2013 (3)	2012 (3)	2011	2010	2009
$10,087,982	$8,843,812	$4,449,401	$5,141,314	$6,055,764	$4,074,394	$6,085,660
19,126,590	14,818,538	11,903,058	12,740,124	8,751,061	6,225,074	7,278,976
23,482,150	21,304,283	19,094,503	17,371,325	15,865,280	15,387,897	15,880,043
255,605	272,452	405,354	281,861	334,789	475,632	536,956
52,952,327	45,239,085	35,852,316	35,534,624	31,006,894	26,162,997	29,781,635
8,537,158	8,126,540	7,776,478	7,276,773	7,023,704	7,034,532	7,754,322
4,302,521	4,315,615	4,410,806	3,857,047	4,079,757	4,168,156	3,751,507
19,354,337	26,211,766	14,903,101	12,814,719	12,564,299	11,066,530	13,274,227
8,779,800	7,296,119	5,809,644	5,245,878	5,098,973	5,144,179	5,231,364
40,973,816	45,950,040	32,900,029	29,194,417	28,766,733	27,413,397	30,011,420
11,978,511	(710,955)	2,952,287	6,340,207	2,240,161	(1,250,400)	(229,785)
128,660	60,797	239,228	117,333	198,847	209,498	591,667
(1,538,276)	(1,395,914)	(1,638,407)	(2,174,516)	(1,816,664)	(2,878,138)	(1,990,253)
5,927,608	4,544,860	7,365,696	30,883,716	10,526,240	4,473,712	1,478,758
(2,027,755)	-	-	-	(2,049,173)	-	-
2,490,237	3,209,743	5,966,517	28,826,533	6,859,250	1,805,072	80,172
$14,468,748	$2,498,788	$8,918,804	$35,166,740	$9,099,411	$554,672	($149,613)

STOCKTON PORT DISTRICT
NET POSITION BY COMPONENT
JUNE 30, 2009-2018

	2018	2017	2016	2015
Port Enterprise Activity:				
Net investment in capital assets	$149,733,514	$133,915,418	$135,125,010	$125,605,810
Restricted	44,634	54,963	85,046	108,409
Unrestricted	31,712,963	23,951,997	14,912,586	14,094,644
Total Port Net Position	$181,491,111	$157,922,378	$150,122,642	$139,808,863

(1) For years ended June 30, 2013 and 2012 the Port net position categories have been restated for the implementation of GASB No. 65.

2014	2013 (1)	2012 (1)	2011	2010	2009
$121,518,585	$116,014,163	$109,293,784	$77,362,056	$69,951,990	$69,315,167
151,928	97,626	63,657	-	-	-
3,669,602	6,729,538	4,565,082	3,286,530	1,597,185	1,679,336
$125,340,115	$122,841,327	$113,922,523	$80,648,586	$71,549,175	$70,994,503

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Stockton Port District

Principal customers

FOR THE YEAR ENDED JUNE 30, 2018 AND 2009

2018		2009	
Customer Name	**Revenue**	**Customer Name**	**Revenue**
Metropolitan Stevedore	$5,632,115	Ferguson Enterprises	$1,979,954
Transmarine Navigation	3,842,005	General Steamship	1,612,580
General Steamship Corp	2,866,399	SQM North America	1,502,836
SQM North America	2,543,545	Yara North America	1,118,500
Ferguson Enterprises	2,208,522	Transmarine Navigation	1,089,339
Yara North America	1,876,560	Metropolitan Stevedoring	882,569
Calaveras/Lehigh Cement	1,597,489	S.T. Services	839,252
Best Logistics	1,576,696	California Ammonia	718,490
MHX LLC	1,527,770	Keep On Trucking	709,591
California Ammonia	1,495,763	H.J. Baker	705,501
Total	$25,166,865	**Total**	$11,158,612

	2018	2009
Total of the ten principal customers	**$25,166,865**	**$11,158,612**
Nonoperating income and capital contributions	**$15,376,302**	**$1,692,375**
Total operating revenue	**$56,050,194**	**$30,327,377**
Percent of total revenue (for the ten principal customers)	**35.2%**	**34.8%**
Percent of total revenue (for the nonoperating revenue)	**21.5%**	**5.3%**
Percent of total revenue (for all other customers)	**43.2%**	**59.9%**

Operating Revenues:	2018	2017	2016	2015
General Cargo	$7,939,378	$10,120,217	$11,448,484	$10,087,982
Bulk Cargo	22,022,538	16,921,173	16,135,872	19,126,590
Property Management	25,804,740	24,492,674	25,028,624	23,482,150
Other	283,538	238,205	200,416	255,605
Total Operating Revenue	$56,050,194	$51,772,269	$52,813,396	$52,952,327
Metric Revenue Tonnages:				
General Cargo	336,257	466,396	542,313	345,769
Bulk Cargo	4,250,347	3,262,218	2,747,720	3,602,330
Total Waterborne Tonnages:	4,586,604	3,728,614	3,290,033	3,948,099
Total Non-vessel Cargo	2,479,916	2,461,639	2,584,914	2,449,912
Harbor Cargos, etc.	360,553	413,068	378,373	547,716
Total Metric Revenue Tonnages:	7,427,073	6,603,321	6,253,320	6,945,727
Barge Traffic Marine Highway	-	-	-	1,214

Source: Port of Stockton Finance Department

2014	2013	2012	2011	2010	2009
$8,843,812	$4,449,401	$5,141,314	$6,055,764	$4,074,394	$6,085,660
14,818,538	11,903,058	12,740,124	8,751,061	6,225,074	7,278,976
21,304,283	19,094,503	17,371,325	15,865,280	15,387,897	15,880,043
272,452	405,354	281,861	334,789	475,632	536,956
$45,239,085	$35,852,316	$35,534,624	$31,006,894	$26,162,997	$29,781,635
240,955	143,835	184,386	320,122	212,574	267,724
2,610,778	1,950,935	2,467,767	1,693,124	1,047,117	1,091,409
2,851,733	2,094,770	2,652,153	2,013,246	1,259,691	1,359,133
2,341,115	2,166,766	2,099,213	2,051,771	2,211,862	2,375,330
688,672	616,102	340,667	133,353	213,031	114,887
5,881,520	4,877,638	5,092,033	4,198,370	3,684,584	3,849,350
5,175	156	-	-	-	-

	2018	2017	2016	2015
Total Assessed Valuation (1)	$28,239,330,561	$26,982,451,650	$25,602,688,763	$25,715,265,481
Debt Limit 3% of Assessed Value (2)	847,179,917	809,473,550	768,080,663	771,457,964
Amount of Applicable to Debt Limit:				
Total Bond Debt	42,854,455	45,933,312	43,968,104	37,764,101
less: Restricted Funds for Service Requirements(3)	-	1,050,000	1,215,000	1,155,000
Total Debt Applicable to Debt Limit	42,854,455	44,883,312	42,753,104	36,609,101
Legal Debt Margin	$804,325,462	$764,590,238	$725,327,559	$734,848,863

Sources:

(1) San Joaquin County Auditor/Controller's Office

(2) Harbor and Navigation Code, State of California, Section no. 6350.

(3) This figure has been corrected (2009-2003) to reflect the funds transferred to restricted bond service funds pending the July 1st payment.

(4) Corrected from the 2009-2010 CAFR--San Joaquin County Auditor/Controller's Office.

2014	2013	2012	2011	2010(4)	2009
$21,742,926,946	$19,308,640,511	$18,243,512,468	$18,423,999,731	$19,287,765,975	$19,849,546,532
652,287,808	579,259,215	547,305,374	552,719,992	578,632,979	595,486,396
39,679,357	41,535,876	42,499,818	44,250,224	45,639,343	46,969,783
1,100,000	1,040,000	1,225,000	1,165,000	1,110,000	1,060,000
38,579,357	40,495,876	41,274,818	43,085,224	44,529,343	45,909,783
$613,708,451	$538,763,339	$506,030,556	$509,634,768	$534,103,636	$549,576,613

Stockton Port District

RATIOS OF OUTSTANDING DEBT BY TYPE

JUNE 30, 2009 THROUGH 2018

Year		Revenue Bonds & Installment Agreements	Commerical Loans & Capital Leases	Total Debt Obligations	Percent of Personal Income (1)	Debt Per Capita (1)
2009		$ 46,969,783	$ 1,500,404	$ 48,470,187	0.2%	$ 70
2010		45,639,343	1,448,291	47,087,634	0.2%	68
2011		44,250,224	1,315,341	45,565,565	0.2%	66
2012		42,499,818	2,960,028	45,459,846	0.2%	62
2013	(2)	41,535,876	3,344,696	44,880,572	0.2%	63
2014		39,679,357	2,724,860	42,404,217	0.2%	60
2015		37,764,101	2,098,062	39,862,163	0.2%	55
2016	(3)	43,966,104	1,390,749	45,356,853	1.6%	61
2017	(4)	45,933,312	563,103	46,496,415	1.5%	63
2018		42,854,456	1,368,499	44,222,955	1.4%	58

Notes:

(1) See page 57 for personal income and population data.

(2) The Port refunded the 2001 Bonds and have an installment loan with Compass Bank. The 2001 Bonds ($8.3 million) were redeemed on March 25, 2013.

(3) The Port secured a $8.2 million loan with Western Alliance Bank for infrastructure improvements in June 2016.

(4) The District issued the 2016 bonds to refund the 2002 CIEDB loan agreement, the 2007 B bonds and secure an additional $5.0 million for capital projects..

STOCKTON PORT DISTRICT

REVENUE BOND COVERAGE

FOR THE YEARS ENDED JUNE 30, 2009 THROUGH 2018

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3) Principal	Interest	Total	Coverage
2009	$ 31,852	$ 24,632	$ 7,220	$ 1,157	$ 2,139	$ 3,296	2.19
2010	26,235	22,100	4,135	1,330	2,051	3,381	1.22
2011	31,099	23,498	7,601	1,389	2,020	3,409	2.23
2012, restated (6)	35,625	23,950	11,675	1,453	1,906	3,359	3.48
2013, restated (5)(6)	35,927	27,011	8,916	1,225	2,254	3,479	2.56
2014	45,273	38,677	6,596	1,857	1,595	3,452	1.91
2015	52,994	32,336	20,658	1,915	1,512	3,427	6.03
2016 (7)	52,894	39,279	13,615	1,996	1,501	3,497	3.89
2017	52,012	34,935	17,077	2,179	1,648	3,827	4.46
2018	56,493	35,304	21,189	2,995	1,555	4,550	4.66

Notes:

(1) Gross revenues include interest but excludes the contributed capital, sale of capital assets, and grant funds that were generated by donated property (GASB 33).

(2) Operating expenses exclusive of depreciation and bond-related costs.

(3) Includes principal and interest of revenue bonds and installment sales agreement only.

(4) The Port refunded the 1997 bonds and issued $29.7 million in new revenue bonds. The 1997 bonds ($8.9 million) were redeemed on July 1, 2007. The first payment for the 2007 bonds are in 2008.

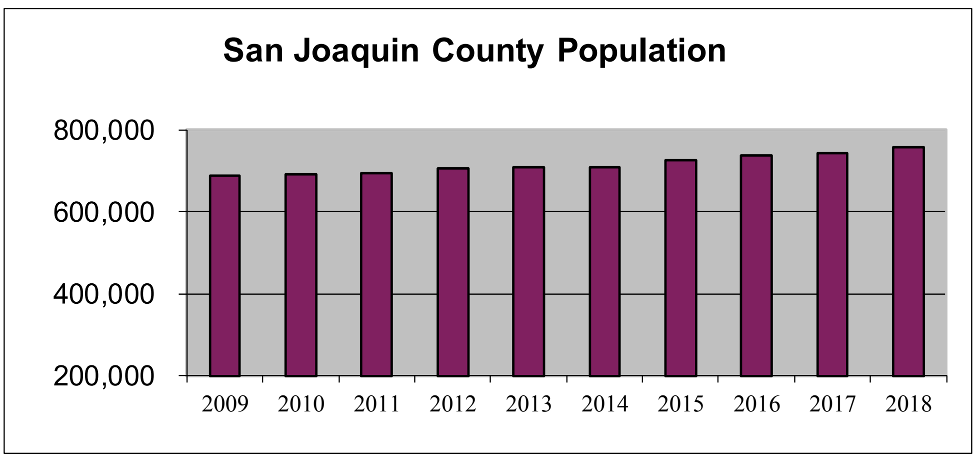
(5) The Port refunded the 2001 Bonds and have an installment loan with Compass Bank. The 2001 Bonds ($8.3 million) were redeemed on March 25, 2013.

(6) figures have been restated for the implementation of GASB No. 65

(7) The District issued the 2016 bonds to refund the 2002 CIEDB loan agreement, the 2007 B bonds and secure $5.0 million for capital projects.

DEMOGRAPHIC STATISTICS
SAN JOAQUIN COUNTY
LAST TEN YEARS

Year Ended	Population (1)	Personal Income (in millions)(1)	Per Capita Personal Income (in thousands)(1)	Labor Force (2)	Unemployment Rate (2)	School Enrollment(3)
2009	689,480	$ 19,500	$ 28,282	310,500	15.5%	135,098
2010	692,202	21,290	30,757	309,600	16.5%	135,788
2011	695,200	22,300	32,077	303,400	16.6%	136,304
2012	706,000	23,400	33,144	308,300	14.8%	137,058
2013	709,700	22,900	32,300	308,900	12.0%	139,146
2014	709,300	24,700	34,800	300,100	10.5%	141,720
2015	725,400	26,800	37,000	312,800	8.8%	143,949
2016	738,700	28,700	38,900	323,200	8.3%	145,760
2017	743,900	30,400	40,800	316,200	7.3%	147,555
2018	756,800	32,400	42,900	327,400	6.0%	148,948



Sources:
(1) University of the Pacific Business Forecasting Center
(2) State of California - Department of Employment Development
(3) State of California - Department of Education

PORT OF STOCKTON EMPLOYEES
BY DEPARTMENT
LAST TEN YEARS

Year	Number of Employees by Department				
Ended	Administration	Police	Maintenance	Warehouse	Total
2018	51	21	19	15	106
2017	52	21	17	17	107
2016	56	21	17	16	110
2015	57	21	19	18	115
2014	49	21	20	14	104
2013	48	18	20	10	96
2012	47	19	18	9	93
2011	45	18	19	8	90
2010	47	19	18	12	96
2009	57	21	18	10	106

Source: Port of Stockton Finance Department

STOCKTON PORT DISTRICT

PORT OF STOCKTON CAPTAL ASSETS
BY ASSET TYPE
LAST TEN YEARS

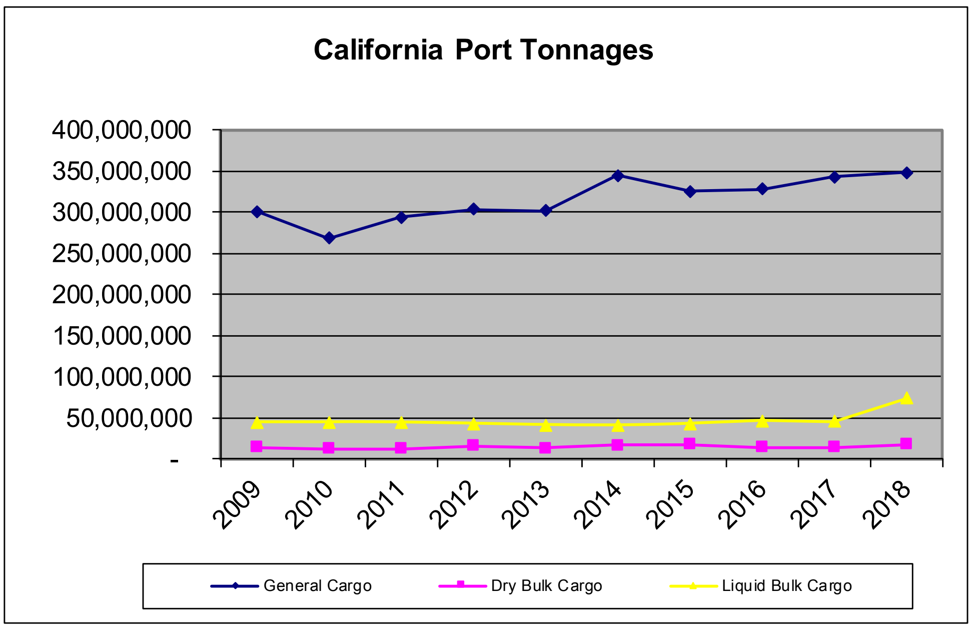
Year Ended	Office Buildings	Warehouses & Transit Sheds	Other Buildings (1)	Emergency Vehicles	Other Vehicles	Heavy Equipment
2018	14	58	60	13	80	102
2017	14	57	60	13	71	101
2016	14	57	58	13	68	101
2015	14	56	58	13	67	99
2014	14	56	58	20	73	98
2013	14	56	48	13	66	97
2012	14	56	47	14	58	87
2011	14	58	47	12	57	86
2010	14	58	47	10	58	86
2009	14	58	47	10	73	90

Source: Stockton Port District Finance Department

(1) Incudes manufactured buildings

TEN YEAR TREND IN WATERBORNE TONNAGES FOR CALIFORNIA PORTS
REVENUE TONS
FOR THE YEARS ENDED JUNE 30, 2009 THROUGH 2018

Year Ended	General Cargo	Dry Bulk Cargo	Liquid Bulk Cargo	Total Tonnage
2009	300,478,869	14,054,796	44,770,128	359,303,793
2010	267,988,161	12,257,955	44,778,813	325,024,929
2011	294,138,923	12,707,528	45,049,177	351,895,628
2012	303,606,826	15,771,301	43,543,921	362,922,048
2013	301,287,361	13,462,483	40,965,656	355,715,500
2014	344,340,844	16,748,735	41,716,159	402,805,738
2015	325,463,528	17,872,881	42,841,226	386,177,635
2016	327,602,092	14,266,755	46,501,284	388,370,131
2017	343,150,794	14,004,394	46,107,734	403,262,922
2018	347,992,077	18,021,788	73,869,811	439,883,676



Source: California Association of Port Authorities

Note: These figures are for Member Ports of the California Association of Port Authorities

REVENUE TONNAGES
FOR THE YEARS ENEDED JUNE 30, 2018 THROUGH 2009

Commodities	2018	2017	2016	2015	2014
General Cargo:					
Steel	244,425	323,142	274,286	259,142	152,198
Bagged Rice	73,022	126,995	230,288	52,911	71,289
Miscellaneous	18,810	16,259	37,739	33,716	17,468
Total General Cargo	336,257	466,396	542,313	345,769	240,955
Dry Bulk:					
Sulfur	270,244	208,167	181,711	202,269	260,021
Fertilizer	122,890	79,963	108,100	114,965	80,672
Urea	41,453	41,250	56,768	72,646	72,872
Nitrates, various	-	-	-	-	-
Cement/Slag	901,229	651,858	457,136	206,451	91,000
Iron Ore	-	-	-	-	-
Coal	1,636,116	1,044,805	642,253	1,821,796	1,258,616
Miscellaneous	180,339	192,140	222,102	179,362	97,843
Liquid Bulk:					
Ammonia	133,412	133,528	154,712	172,592	146,135
Fertilizer	649,860	603,093	572,514	541,706	345,180
Molasses	138,653	117,254	207,586	195,650	203,529
Food Grade Oil	175,205	189,567	143,645	93,301	53,936
Bunker Fuel	946	593	1,193	1,592	974
Total Bulk Cargo	4,250,347	3,262,218	2,747,720	3,602,330	2,610,778
Total Vessel Tons	4,586,604	3,728,614	3,290,033	3,948,099	2,851,733
Overland Cargo:					
Dry Bulk	-	-	-	-	-
Liquid Bulk	2,479,916	2,461,639	2,584,914	2,449,912	2,341,115
Total Non-vessel Cargo	2,479,916	2,461,639	2,584,914	2,449,912	2,341,115
Harbor Cargos, etc.	360,554	413,068	378,373	547,716	688,672
Grand Total	7,427,074	6,603,321	6,253,320	6,945,727	5,881,520
Barged Containers (1)	-	-	-	1,214	5,175

(1) The District started the Marine Highway barge service in June 2013 and was suspended August 2015

2013	2012	2011	2010	2009
57,374	47,222	48,706	38,111	65,291
58,986	89,353	251,068	158,108	143,407
27,474	47,811	20,348	16,355	59,026
143,834	184,386	320,122	212,574	267,724
186,827	245,683	236,630	208,071	293,252
104,370	114,027	60,065	31,554	30,710
99,888	55,440	37,487	9,548	11,521
-	-	20,164	16,686	6,900
76,000	94,050	236,636	182,241	220,241
237,098	1,024,877	308,460	-	-
238,468	60,695	29,473	-	-
57,603	42,976	48,247	7,522	38,040
187,147	181,212	171,134	181,152	190,731
516,362	435,495	380,374	262,780	150,810
246,170	212,112	163,003	146,393	148,721
-	-	-	-	-
1,003	1,200	1,451	1,170	483
1,950,935	2,467,767	1,693,124	1,047,117	1,091,409
2,094,769	2,652,153	2,013,246	1,259,691	1,359,133
-	-	-	-	8,540
2,169,282	2,099,213	2,051,771	2,211,862	2,366,790
2,169,282	2,099,213	2,051,771	2,211,862	2,375,330
616,102	340,667	133,353	213,031	114,887
4,880,153	5,092,033	4,198,370	3,684,584	3,849,350
156	-	-	-	-

WATERBORNE TONNAGE TRENDS FOR PORTS IN CALIFORNIA
FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2009

Port	2018 Tonnages	Change From: 2017	Change From: 2009	Market Share: 2018	Market Share: 2017	Market Share: 2009
Los Angeles	194,515,000	-1.8%	11.4%	44.2%	491.0%	45.4%
Long Beach	173,938,307	9.1%	2.6%	39.5%	39.5%	44.0%
Oakland	33,935,703	1.2%	7.6%	7.7%	8.3%	8.2%
Richmond	23,973,424	9688.6%	6872.2%	5.5%	0.1%	0.1%
Stockton	4,576,604	22.7%	208.8%	1.1%	0.9%	0.4%
San Diego	2,878,000	-6.0%	2.9%	0.7%	0.7%	0.8%
Redwood City	1,906,000	16.3%	93.2%	0.4%	0.4%	0.3%
Hueneme	1,602,033	7.0%	30.9%	0.4%	0.4%	0.3%
San Francisco	1,397,829	3.4%	19.9%	0.3%	0.3%	0.3%
West Sacramento	632,776	13.3%	-13.3%	0.1%	0.1%	0.2%
Humboldt	528,000	92.1%	89.1%	0.1%	0.1%	0.1%
Total Tonnages	439,883,676	9.1%	4.5%	100.0%	100.0%	100.0%
Region:						
Southern California	372,933,340	3.0%	6.9%	84.8%	89.8%	90.5%
Northern California	66,950,336	62.0%	83.3%	15.2%	10.2%	9.5%
Size:						
Large (LB, LA, Oak.)	402,389,010	2.9%	7.0%	91.5%	97.0%	97.6%
Small (all others)	37,494,666	207.8%	301.4%	8.5%	3.0%	2.4%

Source: California Association of Port Authorities

Note: These figures are for Member Ports of the California Association of Port Authorities

Port of Stockton
2201 W. Washington Street
P.O. Box 2089, Stockton, California 95201
Telephone: (209) 946-0246
Facsimile: (209) 464-3311
Web Page: www.portofstockton.com