CITY OF STOCKTON

Presentation to the City Council
For the Fiscal Year Ended June 30, 2022

February 7, 2023
City Council Meeting
Agenda Item 15.4

CONTENTS

THE PUN GROUP ACCOUNTANTS & ADVISORS

SCOPE OF WORK

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- Audit of the Annual Comprehensive Financial Report
- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- Our responsibility is to plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- We considered internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.
- Communicate with those charged with governance.

REQUIRED COMMUNICATIONS (AU-C 260)

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- **Ethics and Independence**
  - Complied with ALL relevant ethical requirements regarding independence
- **Significant Accounting Policies**
  - The City disclosed all significant accounting policies in Note 1 to the financial statements.
  - The City implemented GASB Statement No. 87, *Leases*
- **Significant Estimates**
  - Investment Fair Market Value
  - Depreciation and Amortization on Capital Assets and Lease Assets (Right-to-Use Assets)
  - Lease receivable
  - Lease payable
  - Net Pension Liability

REQUIRED COMMUNICATIONS (AU-C 260)

- **Sensitive Disclosures**
  - Note 1 – Summary of Significant Accounting Policies
  - Note 4 – Lease Receivable
  - Note 12 – Retirement Plans
  - Note 15 – Individual Fund Disclosures
  - Note 16 – Commitments and Contingencies
  - Note 19 – Prior Period Adjustments
- **Misstatements**
  - There were no uncorrected misstatement reported.
- **Consultation with Other Accountants**
  - Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.

REQUIRED COMMUNICATIONS (AU-C 260)

- **Significant Difficulties**
  - We encountered no significant difficulties in dealing with management.
- **Disagreement with Management**
  - We did not have any disagreement with management in terms of accounting treatments nor audit procedures performed.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL INDICATORS

City of Stockton
Government-Wide Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets	$ 1,759,213,000	$ 1,088,686,000	$ 2,847,899,000
Deferred Outflows of Resources	59,815,000	16,635,000	76,450,000
Liabilities	537,706,000	434,001,000	971,707,000
Deferred Inflows of Resources	164,155,000	6,432,000	170,587,000
Net Position:			
Net investment in capital assets	764,271,000	438,675,000	1,202,946,000
Restricted	524,406,000	25,394,000	549,800,000
Unrestricted (deficit)	(171,510,000)	200,819,000	29,309,000
Total Net Position	$ 1,117,167,000	$ 664,888,000	$ 1,782,055,000

City of Stockton
Government-Wide Statement of Activities
For the Year Ended June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Program Revenues:			
Charges for Services	$ 72,491,000	$ 156,777,000	$ 229,268,000
Operating Grants and Contributions	100,879,000	2,499,000	103,378,000
Capital Grants and Contributions	47,352,000	12,231,000	59,583,000
Total Program Revenues	220,722,000	171,507,000	392,229,000
Expenses	321,619,000	135,873,000	457,492,000
Net Cost of Services	(100,897,000)	35,634,000	(65,263,000)
General Revenues (Loss)	289,018,000	(7,018,000)	282,000,000
Transfers	438,000	(438,000)	-
Changes in Net Position	$ 188,559,000	$ 28,178,000	$ 216,737,000

THE PUN GROUP ACCOUNTANTS & ADVISORS

City of Stockton
General Fund Summary
Fund Balance
June 30, 2022 and 2021

	2022	2021	Change
Fund Balance:			
Nonspendable	$ 2,077,000	$ 2,215,000	$ (138,000)
Restricted	5,289,000	5,385,000	(96,000)
Committed	123,754,000	77,638,000	46,116,000
Assigned	4,285,000	4,526,000	(241,000)
Unassigned	43,208,000	41,093,000	2,115,000
Total Fund Balance	$ 178,613,000	$ 130,857,000	$ 47,756,000

City of Stockton
General Fund Summary
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2022 and 2021

	2022	2021	Change
Revenues	$ 303,970,000	$ 286,396,000	$ 17,574,000
Expenditures	(244,157,000)	(238,195,000)	(5,962,000)
Revenues over Expenditures	59,813,000	48,201,000	11,612,000
Other Financing Uses	(12,056,000)	(31,955,000)	19,899,000
Change in Fund Balance	$ 47,757,000	$ 16,246,000	$ 31,511,000

THE PUN GROUP ACCOUNTANTS & ADVISORS

FINANCIAL AUDIT RESULTS

AUDIT RESULTS

- **Unmodified Opinion**
  - Financial Statements are fairly presented in all material respects
  - Significant accounting policies have been consistently applied
  - Estimates are reasonable
  - Disclosures are properly reflected in the financial statements
- **AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit***
  - 2022-001 Internal Control Over Financial Reporting
    - Prior Period Adjustments
    - Stale Receivable and Payable

Thank You

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