



# CITY OF STOCKTON

Presentation to the City Council  
For the Fiscal Year Ended June 30, 2021

Presented by:  
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Partner

March 22, 2022  
City Council Meeting  
Agenda Item 15.4



# AUDITOR'S ANNUAL COMMUNICATION

# AUDITOR'S ANNUAL COMMUNICATION

On March 14, 2022, The Pun Group presented to the City's Audit Committee our detailed annual communication on our audits on the City's Annual Comprehensive Financial Report and other funds.

Attached is a summary of that presentation

# Scope Of Work

## Financial Audit

- Annual Comprehensive Financial Report
- Measure M Strong Communities Fund Financial Report
- Measure W Public Safety Tax Fund Financial Report
- **Agreed-Upon Procedures**
  - GANN Limit Compliance
  - Core Revenues
  - Measure A Transaction and Use Tax
- **Single Audit** (To be performed in March 2022)

# Auditors' Required Communication

- Audit Responsibilities
- Accounting Policies, Significant Estimates and Disclosures
  - Implementation of New GASB Statements
    - GASB 84 – Fiduciary Activities
    - GASB 98 – Annual Comprehensive Financial Report
  - Management's estimates of the investment fair value, depreciation on capital assets and net pension liabilities
  - Sensitive Disclosures
    - Note 1 – Summary of Significant Accounting Policies
    - Note 11 – Retirement Plans
    - Note 15 – Commitments and Contingencies
- No Significant Difficulties Encountered During Audit
- No Disagreements with Management
- No Consultations with Other Accountants

# Management's Responsibilities

- Responsible for the Financial Statements
- Present the Financial Statements in accordance with Accounting Principles Generally Accepted in the United States of America
- Financial Statements Free of Material Misstatements
- Adopt sound accounting policies
- Establish and maintain internal controls over financial reporting and compliance
- Provide evidence supporting the amounts and disclosures in the financial statements
- Prevent and detect fraud

# Auditors' Responsibilities

- Perform the audit in conformity with Auditing Standards Generally Accepted in the United States of America and Standards applicable to Financial Audits contained in *Government Auditing Standards*
- Communication with “Those Charged with Governance”
- Assess audit risk of internal control over financial reporting and compliance
- Determine fairness presentation of the financial statements
- Render an audit opinion

# FINANCIAL OVERVIEW OF THE CITY OF STOCKTON

**City of Stockton**  
**Government-Wide Financial Statements**  
**Summary Statement of Net Position**  
**As of June 30, 2021 and 2020**  
**(Amounts in Thousands)**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>	<u>\$ 2,713,407</u>	<u>\$ 2,520,974</u>
<b>Deferred Outflows of Resources</b>	<u>93,591</u>	<u>102,784</u>
<b>Liabilities</b>	<u>1,230,234</u>	<u>1,157,882</u>
<b>Deferred Inflows of Resources</b>	<u>13,094</u>	<u>17,147</u>
<b>Net Position</b>		
Net investment in capital assets	1,098,093	1,025,598
Restricted	504,890	365,006
Unrestricted	<u>(39,313)</u>	<u>58,125</u>
<b>Total Net Position</b>	<u><u>\$ 1,563,670</u></u>	<u><u>\$ 1,448,729</u></u>

**City of Stockton**  
**Government-Wide Financial Statements**  
**Summary Statement of Activities**  
**For the Years Ended June 30, 2021 and 2020**  
**(Amounts in Thousands)**

	<b>2021</b>	<b>2020</b>
<b>Expenses</b>	\$ 504,856	\$ 474,736
<b>Program Revenues</b>		
Charges for Services	214,659	168,833
Operating Grants and Contributions	51,328	28,823
Capital Grants and Contributions	52,328	37,485
<b>Total Program Revenues</b>	<u>318,315</u>	<u>235,141</u>
<b>Net cost of service</b>	(186,541)	(239,595)
<b>General Revenues</b>		
Taxes	183,128	166,571
Others	118,353	146,273
<b>Total general revenues</b>	<u>301,481</u>	<u>312,844</u>
<b>Changes in Net Position</b>	<u>\$ 114,940</u>	<u>\$ 73,249</u>

**City of Stockton**  
**General Fund**  
**Condensed Balance Sheets**  
**As of June 30, 2021 and 2020**  
**(Amounts in Thousands)**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>	<u>\$ 153,529</u>	<u>\$ 141,219</u>
<b>Liabilities</b>	<u>15,739</u>	<u>17,996</u>
<b>Deferred Inflows of Resources</b>	<u>6,933</u>	<u>8,612</u>
<b>Fund Balance:</b>		
Nonspendable	2,215	5,796
Restricted	5,385	3,998
Committed	77,638	59,672
Assigned	4,526	4,017
Unassigned	<u>41,093</u>	<u>41,128</u>
<b>Total Fund Balance</b>	<u>130,857</u>	<u>114,611</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 153,529</u>	<u>\$ 141,219</u>

**City of Stockton**  
**General Fund**  
**Condensed Statements of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Years Ended June 30, 2021 and 2020**  
**(Amounts in Thousands)**

	<b>2021</b>	<b>2020</b>
<b>Revenues</b>	<u>\$ 286,396</u>	<u>\$ 268,227</u>
<b>Expenditures:</b>		
Current:		
General government	26,236	16,369
Public Safety	180,932	177,246
Public Works	15,934	8,407
Library	10,558	11,906
Parks and recreation	3,907	18,722
Capital Outlay	612	935
Interest and fiscal charges	16	-
<b>Total expenditures</b>	<u>238,195</u>	<u>233,585</u>
<b>Excess of revenues over expenditures</b>	<u>48,201</u>	<u>34,642</u>
<b>Other Financing Sources (Uses)</b>		
Transfers, net	(31,961)	(24,456)
Processed from sale of capital assets	6	393
<b>Total other financing sources (uses)</b>	<u>(31,955)</u>	<u>(24,063)</u>
<b>Net changes in fund balance</b>	<u><u>\$ 16,246</u></u>	<u><u>\$ 10,579</u></u>

# 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

# Audit Findings

## 2021-001 Internal Control Over Financial Reporting

- During the fiscal year 2020-2021, the City implemented the new Enterprise Resource Planning (ERP) System. We noted the following deficiencies:
  - **Bank reconciliation** – The City did not reconcile its bank in a timely fashion and was unable to reconcile its operating account. As a result, there was a discrepancies in the amount of \$785,277.
  - **Capital Assets** – Instruction was not clear on the data input and as a result, the depreciation was miscalculated.
  - **Reporting** – There are less options for reporting and providing details. During the year end phase of the audit, the accounting team was still resolving the implementation issues and reconciling the differences between the subsidiary ledgers and the general ledger.



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