



CITY OF STOCKTON

Presentation to the Council Audit Committee
For the Fiscal Year Ended June 30, 2024

September 22, 2025



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SCOPE OF WORK



SCOPE OF WORK

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



Required Communications (AU-C 260)



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)

- **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.
- **Significant Estimates**
 - Investment Fair Market Value
 - Depreciation and Amortization on Capital Assets and Right-to-Use Asset
 - Lease receivable
 - Lease liability/Subscription liability
 - Net Pension Liability

Required Communications (AU-C 260)

- **Sensitive Disclosures**

- Note 1 – Summary of Significant Accounting Policies
- Note 11 – Fund Balances
- Note 12 – Retirement Plans
- Note 15 – Other Required Disclosures
- Note 16 – Commitments and Contingencies
- Note 17 – Net Investment in Capital Assets and Restricted Net Positions
- Note 18 – Subsequent Events

Required Communications (AU-C 260)

- **Misstatements**

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate.

- **Consultation with Other Accountants**

- Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.

- **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, 2024

	Governmental Activities	Business-Type Activities	Total
Assets	\$ 2,015,993,000	\$ 1,163,685,000	\$ 3,179,678,000
Deferred Outflows of Resources	173,468,000	16,814,000	190,282,000
Liabilities	888,201,000	426,438,000	1,314,639,000
Deferred Inflows of Resources	4,775,000	132,000	4,907,000
Net Position:			
Net investment in capital assets	885,458,000	488,471,000	1,373,929,000
Restricted	518,951,000	26,030,000	544,981,000
Unrestricted	(107,924,000)	239,428,000	131,504,000
Total Net Position	<u>\$ 1,296,485,000</u>	<u>\$ 753,929,000</u>	<u>\$ 2,050,414,000</u>

City of Stockton
Government-Wide Statement of Activities
For the Year Ended June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Program Revenues:			
Charges for Services	\$ 73,885,000	\$ 162,543,000	\$ 236,428,000
Operating Grants and Contributions	56,324,000	4,183,000	60,507,000
Capital Grants and Contributions	41,539,000	19,634,000	61,173,000
Total Program Revenues	<u>171,748,000</u>	<u>186,360,000</u>	<u>358,108,000</u>
Expenses	<u>432,393,000</u>	<u>141,233,000</u>	<u>573,626,000</u>
Net Cost of Services	<u>(260,645,000)</u>	<u>45,127,000</u>	<u>(215,518,000)</u>
General Revenues	375,255,000	8,977,000	384,232,000
Transfers	<u>718,000</u>	<u>(718,000)</u>	<u>-</u>
Changes in Net Position	<u><u>\$ 115,328,000</u></u>	<u><u>\$ 53,386,000</u></u>	<u><u>\$ 168,714,000</u></u>

**City of Stockton
Governmental Activities
Cost of Services to Tax Revenues
For the Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Cost of Services	\$ (260,645,000)	\$ (243,197,000)	\$ (17,448,000)
Tax Revenues	<u>219,864,000</u>	<u>223,477,000</u>	<u>(3,613,000)</u>
Ratio	<u>-119%</u>	<u>-109%</u>	<u>-10%</u>

**City of Stockton
General Fund Summary
Fund Balance
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Fund Balance:			
Nonspendable	\$ 2,662,000	\$ 2,397,000	\$ 265,000
Restricted	6,508,000	5,218,000	1,290,000
Committed	148,295,000	150,811,000	(2,516,000)
Assigned	31,322,000	5,447,000	25,875,000
Unassigned	51,313,000	48,490,000	2,823,000
Total Fund Balance	<u>\$ 240,100,000</u>	<u>\$ 212,363,000</u>	<u>\$ 27,737,000</u>

City of Stockton
General Fund Summary
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues	\$ 349,493,000	\$ 335,478,000	\$ 14,015,000
Expenditures	<u>(293,190,000)</u>	<u>(263,675,000)</u>	<u>(29,515,000)</u>
Revenues over Expenditures	56,303,000	71,803,000	(15,500,000)
Other Financing Uses	<u>(28,567,000)</u>	<u>(38,053,000)</u>	<u>9,486,000</u>
Change in Fund Balance	<u><u>\$ 27,736,000</u></u>	<u><u>\$ 33,750,000</u></u>	<u><u>\$ (6,014,000)</u></u>

**City of Stockton
General Fund
Unassigned Fund Balance to Annual Expenditures
For the Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Unassigned Fund Balance	\$ 51,313,000	\$ 48,490,000	\$ 2,823,000
Annual Expenditures	<u>293,190,000</u>	<u>263,675,000</u>	<u>29,515,000</u>
Ratio	<u>17.5%</u>	<u>18.4%</u>	<u>-0.9%</u>
Committed/Assigned/Unassigned Fund Balance	<u>\$ 230,930,000</u>	<u>\$ 204,748,000</u>	<u>\$ 26,182,000</u>
Ratio	<u>78.8%</u>	<u>77.7%</u>	<u>1.1%</u>

KEY PENSIONS INFORMATION



City of Stockton
GASB 68 – The Pension Standards
CalPERS Misc. Agent Plan

	<u>2024</u>	<u>2023</u>
Plan Total Pension Liability	\$ 831,012,000	\$ 802,856,000
Plan Fiduciary Net Position	668,343,000	649,304,000
Net Pension Liability	<u>\$ 162,669,000</u>	<u>\$ 153,552,000</u>
 Funding Ratio	 <u>80.43%</u>	 <u>80.87%</u>
 Contribution Made	 <u>\$ 18,894,000</u>	 <u>\$ 21,271,000</u>

City of Stockton
GASB 68 – The Pension Standards
CalPERS Safety Agent Plan

	2024	2023
Plan Total Pension Liability	\$ 1,347,420,000	\$ 1,297,211,000
Plan Fiduciary Net Position	883,964,000	854,015,000
Net Pension Liability	<u>\$ 463,456,000</u>	<u>\$ 443,196,000</u>
 Funding Ratio	 <u>65.60%</u>	 <u>65.83%</u>
 Contribution Made	 <u>\$ 45,350,000</u>	 <u>\$42,497,000</u>

City of Stockton
GASB 68 – The Pension Standards
PARS Plan

	<u>2024</u>	<u>2023</u>
Plan Total Pension Liability	\$ 13,837,000	\$ 13,558,000
Plan Fiduciary Net Position	12,025,000	10,449,000
Net Pension Liability	<u>\$ 1,812,000</u>	<u>\$ 3,109,000</u>
 Funding Ratio	 <u>86.90%</u>	 <u>77.07%</u>
 Contribution Made	 <u>\$ 1,113,000</u>	 <u>\$ 854,000</u>

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***
 - Finding 2024-001 — City's Administrative Service Department
 - Finding 2024-002 — Internal Control over Financial Reporting / Accounting Closing and Accuracy in Financial Reporting
 - Finding 2024-003 — Schedule of Expenditures of Federal Awards (SEFA)



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