



CITY OF STOCKTON

Presentation to the City Council
For the Fiscal Year Ended June 30, 2023

City Council Meeting
March 19, 2024
Agenda Item 15.4



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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*

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.
 - The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- **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 4 – Lease Receivable
 - Note 12 – Retirement Plans
 - Note 15 – Other Required Disclosures
 - Note 16 – Commitments and Contingencies
 - Note 18 – Subsequent Events
 - Note 19 – Prior Period Adjustments

Required Communications (AU-C 260)

- **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.
- **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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets	<u>\$ 1,867,815,000</u>	<u>\$ 1,097,758,000</u>	<u>\$ 2,965,573,000</u>
Deferred Outflows of Resources	<u>178,503,000</u>	<u>18,975,000</u>	<u>197,478,000</u>
Liabilities	<u>853,759,000</u>	<u>415,678,000</u>	<u>1,269,437,000</u>
Deferred Inflows of Resources	<u>11,403,000</u>	<u>511,000</u>	<u>11,914,000</u>
Net Position:			
Net investment in capital assets	817,086,000	473,568,000	1,290,654,000
Restricted	495,695,000	25,366,000	521,061,000
Unrestricted (deficit)	<u>(131,625,000)</u>	<u>201,610,000</u>	<u>69,985,000</u>
Total Net Position	<u><u>\$ 1,181,156,000</u></u>	<u><u>\$ 700,544,000</u></u>	<u><u>\$ 1,881,700,000</u></u>

City of Stockton
Government-Wide Statement of Activities
For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Program Revenues:			
Charges for Services	\$ 68,006,000	\$ 156,442,000	\$ 224,448,000
Operating Grants and Contributions	42,072,000	1,653,000	43,725,000
Capital Grants and Contributions	26,667,000	12,363,000	39,030,000
Total Program Revenues	<u>136,745,000</u>	<u>170,458,000</u>	<u>307,203,000</u>
Expenses	<u>379,942,000</u>	<u>134,622,000</u>	<u>514,564,000</u>
Net Cost of Services	<u>(243,197,000)</u>	<u>35,836,000</u>	<u>(207,361,000)</u>
General Revenues	341,241,000	235,000	341,476,000
Transfers	416,000	(416,000)	-
Changes in Net Position	<u>\$ 98,460,000</u>	<u>\$ 35,655,000</u>	<u>\$ 134,115,000</u>

**City of Stockton
General Fund Summary
Fund Balance
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Fund Balance:			
Nonspendable	\$ 2,397,000	\$ 2,077,000	\$ 320,000
Restricted	5,218,000	5,289,000	(71,000)
Committed	150,811,000	123,754,000	27,057,000
Assigned	5,447,000	4,285,000	1,162,000
Unassigned	48,490,000	43,208,000	5,282,000
Total Fund Balance	<u>\$ 212,363,000</u>	<u>\$ 178,613,000</u>	<u>\$ 33,750,000</u>

City of Stockton
General Fund Summary
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues	\$ 335,478,000	\$ 303,970,000	\$ 31,508,000
Expenditures	<u>(263,675,000)</u>	<u>(244,157,000)</u>	<u>(19,518,000)</u>
Revenues over Expenditures	71,803,000	59,813,000	11,990,000
Other Financing Uses	<u>(38,053,000)</u>	<u>(12,056,000)</u>	<u>(25,997,000)</u>
Change in Fund Balance	<u>\$ 33,750,000</u>	<u>\$ 47,757,000</u>	<u>\$ (14,007,000)</u>

**City of Stockton
General Fund
Unassigned Fund Balance to Annual Expenditures
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Unassigned Fund Balance	\$ 48,490,000	\$ 43,208,000	\$ 5,282,000
Annual Expenditures	263,675,000	244,157,000	19,518,000
Ratio	<u>18.4%</u>	<u>17.7%</u>	<u>0.7%</u>
Committed/Assigned/Unassigned Fund Balance	\$ 204,748,000	\$ 171,247,000	\$ 33,501,000
Ratio	<u>77.7%</u>	<u>70.1%</u>	<u>7.6%</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***
 - 2023-001 Internal Control Over Financial Reporting
 - Prior Period Adjustments
 - Slate Receivable and Payable



Thank You



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