

CITY OF PINOLE

Presentation to the City Council

For the Fiscal Year Ended
June 30, 2023

March 19, 2024



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REQUIRED COMMUNICATIONS (AU-C 260)

Required Communications (AU-C 260)

- **Independence**
 - The Pun Group complied with ALL relevant 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 IT Arrangements*
- **Significant Estimates**
 - Fair value on investments
 - Depreciation on capital assets
 - Net pension liability actuarial inputs
 - Net other postemployment benefit liability actuarial inputs

Required Communications (AU-C 260)

- **Sensitive Disclosures**

- Note 1 – Summary of Significant Accounting Policies
- Note 4 – Leases Receivable
- Note 9 – Defined-Benefit Pension Plans
- Note 10 – Other Postemployment Benefits
- Note 11 – Fund Balances
- Note 18 – Prior Period Adjustments

- **Misstatements**

- There were no uncorrected misstatements reported.

- **Consultations 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.
- **Disagreements with Management**
 - We did not have any disagreements with management in terms of accounting treatments or audit procedures performed.

AUDIT RESPONSIBILITIES

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;
- 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; and
- Prevent and detect fraud

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with Council oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Consider 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

City of Pinole

Government-Wide

Condensed Statement of Net Position

June 30, 2023 and 2022

	2023	2022	\$ Diff	% Diff
Current assets	\$ 62,909,067	\$ 61,467,016	\$ 1,442,051	2.35%
Noncurrent assets	17,340,827	17,106,937	233,890	1.37%
Capital assets	67,581,706	75,059,219	(7,477,513)	-9.96%
Deferred Outflows of Resources	25,155,955	15,894,361	9,261,594	58.27%
Current Liabilities	4,580,958	6,156,444	(1,575,486)	-25.59%
Noncurrent liabilities	109,945,178	100,600,642	9,344,536	9.29%
Deferred Inflows of Resources	17,146,560	25,068,155	(7,921,595)	-31.60%
Net Position				
Net investment in capital assets	37,925,316	44,559,651	(6,634,335)	-14.89%
Restricted	29,854,090	34,342,971	(4,488,881)	-13.07%
Unrestricted	(26,464,547)	(41,200,330)	14,735,783	-35.77%
Total Net Position	<u>\$ 41,314,859</u>	<u>\$ 37,702,292</u>	<u>\$ 3,612,567</u>	<u>9.58%</u>

City of Pinole
Government-Wide Summary
Statement of Activities
For the Years Ended June 30, 2023 and 2022

	2023	2022	\$ Change	% Change
Expenses	\$ (32,712,159)	\$ (40,542,851)	\$ 7,830,692	-19.31%
Program Revenues				
Charges for services	12,922,261	13,825,391	(903,130)	-6.53%
Operating grants and contributions	5,594,961	2,020,534	3,574,427	176.91%
Capital grants and contributions	865,743	712,728	153,015	21.47%
Total program revenues	19,382,965	16,558,653	2,824,312	17.06%
Net cost of services	(13,329,194)	(23,984,198)	10,655,004	-44.43%
General revenues - taxes	20,976,578	20,508,325	468,253	2.28%
Investments earnings (loss)	1,334,018	(2,854,390)	4,188,408	-146.74%
Miscellaneous	50,241	403,573	(353,332)	-87.55%
Change in net position	\$ 9,031,643	\$ (5,926,690)	\$ 14,958,333	-252.39%

**City of Pinole
General Fund
Condensed Balance Sheet
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Assets	\$ 38,567,018	\$ 37,531,604	\$ 1,035,414	2.76%
Liabilities	1,395,215	1,572,052	(176,837)	-11.25%
Deferred Inflows of Resources	616,657	702,702	(86,045)	-12.24%
Fund Balance				
Nonspendable	243,904	45,296	198,608	438.47%
Restricted	14,775,559	17,271,818	(2,496,259)	-14.45%
Committed	9,412,029	8,533,768	878,261	10.29%
Unassigned	12,123,654	9,405,968	2,717,686	28.89%
Total Fund Balance	<u>36,555,146</u>	<u>35,256,850</u>	<u>1,298,296</u>	3.68%
Total Liabilities and Fund Balance	<u>\$ 38,567,018</u>	<u>\$ 37,531,604</u>	<u>\$ 1,035,414</u>	2.76%

**City of Pinole
General Fund**

**Condensed Statement of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2023 and 2022**

	2023	2022	\$ Change	% Change
Revenues	\$ 24,085,919	\$ 19,070,470	\$ 5,015,449	26.30%
Expenditures	(25,148,123)	(21,908,769)	(3,239,354)	14.79%
Revenues over Expenditures	(1,062,204)	(2,838,299)	1,776,095	-62.58%
Other Financing Sources and Uses				
Proceeds from sale of asset	12,080	257,182	(245,102)	-95.30%
Proceeds from issuance of debt	165,695	-	165,695	n/a
Transfers (net)	2,152,580	(2,129,233)	4,281,813	-201.10%
Total other financing sources/uses	2,330,355	(1,872,051)	4,202,406	-224.48%
Change in Fund Balance	<u>\$ 1,268,151</u>	<u>\$ (4,710,350)</u>	<u>\$ 5,978,501</u>	126.92%

City of Pinole
Prior Period Adjustments – Government-Wide Statements
For the Year Ended June 30, 2023

	Governmental Activities	Business-type Activities	Total
Net position, as previously reported, at July 1, 2022	\$ 13,815,771	\$ 23,886,521	\$ 37,702,292
Reclassification of related pension balances	39,689	(39,689)	-
To adjust the capital assets beginning balance	-	(5,453,169)	(5,453,169)
GASB 96 implementation	32,676	-	32,676
Net position at July 1, 2022, as restated	<u>\$ 13,888,136</u>	<u>\$ 18,393,663</u>	<u>\$ 32,281,799</u>

FINANCIAL INDICATORS AND KEY PENSION AND OPEB INFORMATION

City of Pinole

Governmental Activities

Tax Revenues to Net Cost of Services

	2023	2022
Tax Revenues	\$ 20,976,578	\$ 20,508,325
Net Cost of Services	\$ 15,373,275	\$ 24,488,758
Ratio	136%	84%
Excess/(Shortfall)	\$ 5,603,303	\$ (3,980,433)

City of Pinole
General Fund
Unassigned Fund Balance to Annual Expenditures

	<u>2023</u>	<u>2022</u>
Unassigned Fund Balance	\$ 12,123,654	\$ 9,405,968
Annual Expenditures	<u>25,148,123</u>	<u>21,908,769</u>
Ratio	<u>48.21%</u>	<u>42.93%</u>
Unassigned Fund Balance - PY	\$ 9,405,968	\$ 12,488,562
Net Change in Unassigned Fund Balance	<u>\$ 2,717,686</u>	<u>\$ (3,082,594)</u>
Committed Fund Balance	\$ 9,412,029	\$ 8,533,768

City of Pinole

GASB 68 – The Pension Standard

As of June 30, 2022 (Measurement Date)

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
Net Pension Liabilities @ 5.90%	\$ 25,857,513	\$ 35,967,168	\$ 61,824,681
Net Pension Liabilities @ 6.90%	\$ 18,093,979	\$ 24,214,798	\$ 42,308,777
Net Pension Liabilities @ 7.90%	\$ 11,706,518	\$ 14,609,891	\$ 26,316,409

Plan's Proportionate Share of the
Fiduciary Net Position as a Percentage
of the Total Pension Liability

<u>68.23%</u>	<u>71.55%</u>
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Prior year

<u>79.43%</u>	<u>83.72%</u>
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AUDIT RESULTS

Audit Results

- **Annual Comprehensive Finance Report**
 - ***Unmodified Opinions issued to all Opinion Units***
 - Financial statements are fairly presented in all material respects
 - Accounting policies have been consistently applied
 - Estimates used are reasonable
 - Disclosures are properly reflected in the financial statements

Audit Results

- **Annual Comprehensive Finance Report**
 - ***Issues Noted***
 - Certain adjusting journal entries were posted to correct balances
 - Prior period adjustments were necessary to correct certain 2022 balances

Audit Results

- **2006 Measure S Fund**
- **2014 Measure S Fund**
 - Unmodified opinions issued
 - No findings for internal control over:
 - Financial reporting, or
 - Compliance

Other Results

- No disagreements with management
- No material weaknesses/significant deficiencies were identified in internal control over financial reporting or compliance
- No accounting issues where there was a question on authoritative guidance noted
- No inappropriate activities were noted



Thank you!



HQ - ORANGE COUNTY

200 E. Sandpointe Avenue
Suite 600
Santa Ana, CA 92707

SAN DIEGO

4365 Executive Drive
Suite 710
San Diego, CA 92121

BAY AREA

2121 North California Blvd.
Suite 290
Walnut Creek, CA 94596

LAS VEGAS

1050 Indigo Drive
Suite 110
Las Vegas, NV 89145

PHOENIX

4742 North 24th Street
Suite 300
Phoenix, AZ 85016