



# CITY OF STOCKTON TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS NON-TRANSIT PURPOSES

FOR THE YEAR ENDED JUNE 30, 2024

INDEPENDENT AUDITORS' REPORT,  
FUND FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY  
INFORMATION, AND COMPLIANCE REPORT

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on YOU



**CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT  
AND MEASURE K FUNDS NON-TRANSIT PURPOSES**

**Independent Auditors' Report, Fund Financial Statements,  
Required Supplementary Information, And Compliance Report**

**For The Year Ended June 30, 2024**

CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT  
AND MEASURE K FUNDS NON-TRANSIT PURPOSES

Independent Auditors' Report, Fund Financial Statements,  
Required Supplementary Information, And Compliance Report

For The Year Ended June 30, 2024

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Stockton  
Stockton, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes (collectively the "Funds") of the City of Stockton, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of the City's auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City, which were relied upon for assurance over the cash balances, related interest receivable and related interfund activity with other City funds, represented within the Funds as of June 30, 2024. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for cash balances and City wide interfund activity, are based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Stockton, California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As described in Note 1, the financial statements present only the Funds, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024, and the changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States.



To the Members of the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the Members of the City Council  
City of Stockton  
Stockton, California

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control as it relates to the Funds, accordingly no such opinion is expressed.
- 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the Funds, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Members of the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the Members of the City Council  
City of Stockton  
Stockton, California

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

***Summarized Comparative Information***

We have previously audited the financial statements of the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, of the City's 2023 financial statements for the year ended June 30, 2023, and expressed an unmodified audit opinion on those financial statements in our report dated July 8, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of the City's internal control over financial reporting as it relates to the Funds, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting as it relates to the Funds or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance as it relates to the Funds.

***LSL, LLP***  
Sacramento, California  
December 19, 2025

**CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES  
Balance Sheet  
June 30, 2024, with Comparative Totals**

	Transportation Development Act Fund	Measure K Fund	Totals	
			2024	2023
<b>Assets:</b>				
Cash and investments	\$ 1,677,900	\$ 19,466,403	\$ 21,144,303	\$ 16,695,403
Interest receivable	-	107,874	107,874	83,549
Advance deposits	-	-	-	-
Due from other agencies	123,369	1,774,495	1,897,864	4,003,749
<b>Total Assets</b>	<b>\$ 1,801,269</b>	<b>\$ 21,348,772</b>	<b>\$ 23,150,041</b>	<b>\$ 20,782,701</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
Liabilities:				
Accounts payable and other liabilities	\$ -	\$ 1,016,443	\$ 1,016,443	\$ 273,802
Construction retainage payable	-	-	-	77,729
Accrued payroll	-	11,086	11,086	5,998
Due to other funds	-	-	-	-
Total Liabilities	-	1,027,529	1,027,529	357,529
Deferred Inflows of Resources:				
Unavailable revenue - other	-	-	-	629,215
Total Deferred Inflows of Resources	-	-	-	629,215
Fund Balances:				
Restricted	1,801,269	20,321,243	22,122,512	19,795,957
Total Fund Balances	1,801,269	20,321,243	22,122,512	19,795,957
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,801,269</b>	<b>\$ 21,348,772</b>	<b>\$ 23,150,041</b>	<b>\$ 20,782,701</b>

See Notes to the Financial Statements.

**CITY OF STOCKTON, CALIFORNIA**  
**TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS**  
**NON-TRANSIT PURPOSES**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended June 30, 2024, with Comparative Totals**

	Transportation Development Act Fund	Measure K Fund	Totals	
			2024	2023
<b>Revenues:</b>				
Local Transportation Fund:				
Pedestrian and bicycle	\$ 493,476	\$ -	\$ 493,476	\$ 610,737
Measure K Fund:				
Local street repair	-	7,539,791	7,539,791	7,472,729
Congestion relief	-	27,530	27,530	14,599
Smart growth	-	43,399	43,399	18,228
Passenger rail/bus - non-competetive bike	-	1,377,143	1,377,143	1,159,466
Passenger rail/bus - safe routes to school	-	214,859	214,859	-
Investment earnings	-	810,686	810,686	(27,954)
Refunds and reimbursements	-	7,307	7,307	10,750
<b>Total Revenues</b>	<b>493,476</b>	<b>10,020,715</b>	<b>10,514,191</b>	<b>9,258,555</b>
<b>Expenditures:</b>				
Street and road maintenance	-	5,132,569	5,132,569	5,082,545
Congestion relief	-	430,528	430,528	1,756,476
<b>Total Expenditures</b>	<b>-</b>	<b>5,563,097</b>	<b>5,563,097</b>	<b>6,839,021</b>
Excess of Revenues Over Expenditures	493,476	4,457,618	4,951,094	2,419,534
<b>Other Financing Uses:</b>				
Intergovernmental transfers	(263,776)	(2,624,214)	(2,887,990)	(4,997,646)
<b>Total Other Financing Uses</b>	<b>(263,776)</b>	<b>(2,624,214)</b>	<b>(2,887,990)</b>	<b>(4,997,646)</b>
Net Change in Fund Balances	229,700	1,833,404	2,063,104	(2,578,112)
Fund Balances, Beginning of Year	1,571,569	18,224,388	19,795,957	22,374,069
Restatement	-	263,451	263,451	-
<b>Fund Balances, End of Year, as Restated</b>	<b>\$ 1,801,269</b>	<b>\$ 20,321,243</b>	<b>\$ 22,122,512</b>	<b>\$ 19,795,957</b>

**CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT  
AND MEASURE K FUNDS NON-TRANSIT PURPOSES  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

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**NOTE 1: ORGANIZATION**

The City of Stockton (the City) receives funds under the provisions of the Transportation Development Act (TDA) from the San Joaquin County Local Transportation Fund (LTF) under Article 3, Section 99234 for pedestrian and bicycle facilities. These funds represent amounts set aside by the San Joaquin Council of Governments (SJCOG), the transportation planning agency administering TDA funds, to be allocated for pedestrian and bicycle facilities within the jurisdictions of San Joaquin County and represent up to 2% of the available funds countywide. The City's TDA Fund is used to account for these TDA funds received by the City for non-transit purposes, which is reflected in the financial statements of the TDA Fund allocated for non-transit purposes.

The City also receives funds from an ordinance (Measure K) passed by San Joaquin County voters resulting in an increase of one-half of one percent of sales tax for transportation improvements. SJCOG, acting as the Local Transportation Authority, oversees the collection and distribution of the sales tax in accordance with the twenty-year transportation expenditure plan. The plan calls for street repairs, safety and operational improvements on streets and roads, projects to reduce street and highway congestion, and the promotion of passenger rail and bus services as an alternative to travel by automobile. The City Measure K Sales Tax Fund is used to account for these funds, which is reflected in the financial statements of the Measure K Fund.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of the Transportation Development Act Fund, Measure K Fund of the City have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The financial statements are intended to present the financial position and results of operations of only those transactions recorded in the City's Funds. These Funds are included in the financial statements of the City.

**C. Fund Accounting**

The accounts of the City's Funds allocated for non-transit purposes are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The City utilizes the special revenue fund type of the governmental fund group to account for the activities of the City's Funds allocated for non-transit purposes. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purpose.

**D. Basis of Accounting**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting.

**CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT  
AND MEASURE K FUNDS NON-TRANSIT PURPOSES  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The receivables and payables are classified as “due from other agencies” and “due to other agencies” on the balance sheet.

**F. Fund Balance**

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent. At June 30, 2024, fund balance is categorized as follows:

- *Restricted Fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

**H. Interfund Activity**

During the course of operations, numerous transactions occur between individual funds for funding purposes that are accounted for in other funds of the City not presented in these financial statements. These payables are classified as "due to other funds" on the balance sheet.

**I. Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the City's Funds.

**J. Contingencies**

The City receives funding for specific purposes that are subject to review and audit by the granting agencies funding source. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The City is party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the funds.

**CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT  
AND MEASURE K FUNDS NON-TRANSIT PURPOSES  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

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**NOTE 3: CASH AND CASH EQUIVALENTS**

The cash and investment balances for the City's Funds are held in the City's cash and investment pool. The City maintains a cash and investment pool in order to facilitate the management of cash. Interest is allocated to its various funds based upon average cash balances. Investments held in the City's cash management pool are available on demand to the City. The City's Funds are allocated for non-transit purposes and are stated at fair value. Information regarding categorization of investments can be found in the City's financial statements.

**NOTE 4: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 19, 2025, the date these financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUND  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local Transportation Fund:				
Pedestrian and bicycle	\$ 610,727	\$ 610,727	\$ 493,476	\$ (117,251)
<b>Total Revenues</b>	<b>610,727</b>	<b>610,727</b>	<b>493,476</b>	<b>(117,251)</b>
<b>Expenditures:</b>				
Pedestrian and bicycle projects	285,610	285,610	-	285,610
<b>Total Expenditures</b>	<b>285,610</b>	<b>285,610</b>	<b>-</b>	<b>285,610</b>
Excess of Revenues Over Expenditures	325,117	325,117	493,476	(402,861)
<b>Other Financing Uses:</b>				
Intergovernmental transfers	(610,737)	(610,737)	(263,776)	(346,961)
<b>Total Other Financing Uses</b>	<b>(610,737)</b>	<b>(610,737)</b>	<b>(263,776)</b>	<b>(346,961)</b>
Net Change in Fund Balances	\$ (285,620)	\$ (285,620)	229,700	\$ (749,822)
Fund Balances, Beginning of Year			1,571,569	
<b>Fund Balances, End of Year</b>			<b>\$ 1,801,269</b>	

**CITY OF STOCKTON, CALIFORNIA**  
**MEASURE K FUND**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Measure K Fund:				
Local street repair	\$ 7,916,980	\$ 7,916,980	\$ 7,539,791	\$ (377,189)
Congestion relief	469,879	469,879	27,530	(442,349)
Smart growth	-	-	43,399	43,399
Passenger rail/bus - non-competetive bike	-	-	1,377,143	1,377,143
Passenger rail/bus - safe routes to school	-	-	214,859	214,859
Investment earnings	-	-	810,686	810,686
Refunds and reimbursements	-	-	7,307	7,307
<b>Total Revenues</b>	<b>8,386,859</b>	<b>8,386,859</b>	<b>10,020,715</b>	<b>1,633,856</b>
<b>Expenditures:</b>				
Street and road maintenance	13,147,173	13,147,173	5,132,569	8,014,604
Congestion relief	14,001,181	14,001,181	430,528	13,570,653
<b>Total Expenditures</b>	<b>27,148,354</b>	<b>27,148,354</b>	<b>5,563,097</b>	<b>21,585,257</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,761,495)	(18,761,495)	4,457,618	(19,951,401)
<b>Other Financing Uses:</b>				
Intergovernmental transfers	(3,496,650)	(3,496,650)	(2,624,214)	872,436
<b>Total Other Financing Uses</b>	<b>(3,496,650)</b>	<b>(3,496,650)</b>	<b>(2,624,214)</b>	<b>872,436</b>
Net Change in Fund Balances	\$ (22,258,145)	\$ (22,258,145)	1,833,404	\$ (19,078,965)
Fund Balances, Beginning of Year			18,224,388	
Restatement			263,451	
<b>Fund Balances, End of Year</b>			<b>\$ 20,321,243</b>	

**CITY OF STOCKTON, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT  
AND MEASURE K FUNDS NON-TRANSIT PURPOSES  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2024**

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**NOTE 1: BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Transportation Development Act (TDA) of the City of Stockton. All unencumbered appropriations lapse at year-end, with the exception of some capital improvement projects. Encumbered appropriations are re-appropriated in the following year's budget. The appropriate budget is prepared by department, function, and fund. The City Manager may make transfers of appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control is the object level within a fund.

## **OTHER REPORTS**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Stockton  
Stockton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Transportation Development Act (TDA), the financial statements of the TDA Fund and Measure K Fund, allocated for non-transit purposes, of the City of Stockton, California (the "City") as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2025.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control), as it relates to the Funds, as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control, as it relates to the Funds. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Stockton  
Stockton, California

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2024-001.

### **City of Stockton's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the of the City's internal control, relating to the TDA Fund and Measure K Fund, allocated for non-transit purposes or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LSL, LLP*

Sacramento, California  
December 19, 2025



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Stockton  
Stockton, California

## SCHEDULE OF FINDINGS AND RESPONSES

### **Reference Number**

2024-001 – Late Submission of City's TDA Financial Statements

### **Evaluation of Finding**

Material Weakness and Material Noncompliance

### **Condition**

The City did not submit its financial statements under the Transportation Development Act (TDA) by the required deadline of December 31st following the current fiscal year end, or no later than March 31st following the fiscal year end with an extension. The financial statements were submitted significantly past these deadlines.

### **Criteria**

According to the Transportation Development Act, financial statements must be submitted:

- By December 31st following the end of the current fiscal year
- Or no later than March 31st following the end of the current fiscal year with an extension

These criteria ensure timely reporting and compliance with regulatory standards.

### **Cause of Condition**

The late submission of the City's financial statements was due to employee turnover, resulting in delayed completion of the TDA audit.

### **Effect or Potential Effect of Condition**

The late submission of financial statements can have several negative impacts, including:

- Increased risk of non-compliance with regulatory requirements and financial reporting standards
- Loss of public trust and confidence in the City's financial management

### **Recommendation**

To address this material weakness and noncompliance, we recommend the following actions:

- Review process to track adherence to documented policies and ensure timely and accurate submission of financial statements for potential updates due to staff turnover.
- Provide regular training for staff to familiarize them with established policies and procedures.
- Regular monitoring and follow-up on the progress of financial statement preparation to ensure timely completion.

We believe that these measures will help mitigate the risk of late submissions and enhance the reliability of the City's financial reporting under the Transportation Development Act.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Stockton  
Stockton, California

### ***Management Response***

Management acknowledges the material weakness and material noncompliance identified related to the late submission of the City's Transportation Development Act (TDA) financial statements for FY 2024. The delay resulted from staffing transitions and turnover within The Administrative Services Department during the financial statement preparation period, which impacted the City's ability to complete the required schedules and provide timely responses to auditor requests.

Corrective Action Plan:

Management agrees with the finding. A staff member is already assigned responsibility for preparing the TDA financial statements; however, due to staffing transitions and competing year-end reporting priorities, the FY24 submission timeline was impacted. To prevent future delays, management will implement the following practical improvements:

**Reinforce Timelines with Existing Staff:**

The Accounting Division will review the statutory TDA deadlines (December 31 or March 31 with extension) with the assigned staff member to ensure clarity and prioritization during the year-end period.

**Integrate TDA Deadlines into the Existing Year-End Calendar:**

Instead of creating a new system, the Division will add the TDA due dates into the current ACFR and audit tracking calendar, so deadlines are visible and monitored with other major reporting requirements.

**Early Coordination with the Auditor:**

The city will schedule a brief planning check-in with the TDA auditor at the beginning of the fiscal year to confirm deliverables, schedules, and expectations, ensuring adequate time for preparation.

**Maintain and Review Prior-Year Workpapers for Continuous Improvement:**

Following completion of each TDA cycle, prior year workpapers and templates will be reviewed and updated to reflect lessons learned, auditor feedback, and process improvements. All finalized documents will be stored in a centralized shared location to support continuity, promote consistency in future years, and reduce reliance on any single staff member.

These steps strengthen oversight using tools and staffing the city already has in place—without requiring new resources or additional personnel.

Management is committed to strengthening internal controls, improving reporting timeliness, and maintaining compliance with all TDA requirements. These corrective actions are expected to prevent future delays and ensure timely submission of the City's TDA financial statements.



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Stockton  
Stockton, California

### ***Opinion on Compliance with Transportation Development Act and Measure K Requirements***

We have audited the City of Stockton, California (the City)'s compliance with Transportation Development Act (TDA) and Measure K requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA and Measure K; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations (collectively "Code of Regulations") during the year ended June 30, 2024.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Transportation Development Act Fund and Measure K Fund, allocated for non-transit purposes, (collectively the "Funds") of the City for the year ended June 30, 2024.

### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable statutes, rules, and regulations of the TDA and Measure K; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of the TDA and Measure K requirements applicable to the City's Funds.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

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City of Stockton  
Stockton, California

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS; *Government Auditing Standards*; the applicable statutes, rules, and regulations of the TDA and Measure K; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Transportation Development Act (TDA) and Measure K requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA and Measure K; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations.

In performing an audit in accordance with GAAS; *Government Auditing Standards*; the applicable statutes, rules, and regulations of the TDA and Measure K; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the applicable statutes, rules, and regulations of the TDA and Measure K; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Code of Regulations, and which is described in the accompanying schedule of findings and questioned costs as item 2024-001.



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*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

*LSL, LLP*

Sacramento, California  
December 19, 2025