

The Measure W Public Safety Tax Fund of the City of Stockton

Stockton, California

Independent Auditor's Reports and Financial Schedule

For the Year Ended June 30, 2012 and 2011

City of Stockton
Measure W Public Safety Tax Fund
For the Year Ended June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of City of Stockton
City of Stockton, California

We have audited the accompanying schedule of revenues, expenditures and change in fund balance (financial schedule) of the Measure W Public Safety Fund (Fund) of the City of Stockton, California (City), for the year ended June 30, 2012. This financial schedule is the responsibility of City Management. Our responsibility is to express an opinion on this financial schedule based on our audit. The 2011 financial schedule was audited by other auditors whose report dated November 17, 2012 expressed an unqualified opinion on the financial schedule.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over the Fund's financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial schedule presents only the revenues, expenditures and change in fund balance of the Fund and does not purport to, and does not, present fairly the financial position of the Fund or City, nor the changes in financial position of the City for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedule referred to above presents fairly, in all material respects, the revenues, expenditures and changes in fund balance of the Fund of the City of Stockton, for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the City's internal control over the Fund's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters as they relate to the Fund. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Pun & McGeady LLP

Walnut Creek, California
February 18, 2014

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City of Stockton
Measure W Public Safety Tax Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
For the Years Ended June 30, 2012 and 2011

	2012			2011		
	Police	Fire	Total	Police	Fire	Total
REVENUES:						
Taxes:						
Sales - levied by City	\$ 4,288,213	\$ 4,288,212	\$ 8,576,425	\$ 3,937,715	\$ 3,937,714	\$ 7,875,429
Investment income:						
Interest income	266	1,128	1,394	(1,063)	(1,709)	(2,772)
Refunds and reimbursements	-	-	-	127,154	54,420	181,574
Total revenues	<u>4,288,479</u>	<u>4,289,340</u>	<u>8,577,819</u>	<u>4,063,806</u>	<u>3,990,425</u>	<u>8,054,231</u>
EXPENDITURES - PUBLIC SAFETY:						
Payroll:						
Salaries	1,934,617	1,932,827	3,867,444	2,067,688	2,233,113	4,300,801
Benefits	1,490,641	1,590,918	3,081,559	1,607,821	1,749,973	3,357,794
Total payroll	<u>3,425,258</u>	<u>3,523,745</u>	<u>6,949,003</u>	<u>3,675,509</u>	<u>3,983,086</u>	<u>7,658,595</u>
Products and services purchased:						
Tax collection fee	81,265	81,265	162,530	86,905	86,905	173,810
Sales tax review services	228	228	456	3,830	3,830	7,660
Liability insurance	63,379	64,902	128,281	52,632	64,539	117,171
Vehicle rental charges	348,687	60,284	408,971	348,764	60,284	409,048
Radio rentals	39,893	-	39,893	39,893	-	39,893
Fuel charges	198,848	8,552	207,400	187,279	7,043	194,322
Total product and services purchased	<u>732,300</u>	<u>215,231</u>	<u>947,531</u>	<u>719,303</u>	<u>222,601</u>	<u>941,904</u>
Total expenditures	<u>4,157,558</u>	<u>3,738,976</u>	<u>7,896,534</u>	<u>4,394,812</u>	<u>4,205,687</u>	<u>8,600,499</u>
NET CHANGE IN FUND BALANCES	130,921	550,364	681,285	(331,006)	(215,262)	(546,268)
FUND BALANCES, BEGINNING OF YEAR	<u>212,323</u>	<u>56,176</u>	<u>268,499</u>	<u>543,329</u>	<u>271,438</u>	<u>814,767</u>
FUND BALANCES, END OF YEAR	<u>\$ 343,244</u>	<u>\$ 606,540</u>	<u>\$ 949,784</u>	<u>\$ 212,323</u>	<u>\$ 56,176</u>	<u>\$ 268,499</u>

See accompanying notes to financial schedule.

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City of Stockton
Measure W Public Safety Tax Fund
Notes to Financial Schedule
For the Years Ended June 30, 2012 and 2011

Note 1 – Summary of Significant Accounting Policies

A. Description of Reporting Entity

The Measure W Public Safety Tax Fund (Fund) of the City of Stockton (City) accounts for the Measure W Taxes collected and spent for police and fire purposes. The Fund is included in the basic financial statements of the City. This financial schedule is intended to present only the revenues, expenditures and changes in fund balance of the Fund of the City. It does not present fairly the financial position of the Fund or the City, nor the changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies reflected in the financial schedule are summarized below.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

The activities of the Fund are recorded in a special revenue fund and accounted for using the modified accrual basis of accounting. Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (i.e. both measurable and available). Measurable means that the amount of the transaction can be determined. Available means the funds are collectible within 90 days after year-end. Expenditures of governmental funds are generally recognized when the related fund liability is incurred.

C. Sales and Use Tax – Measure W

The people of the City approved Measure W on November 2, 2004, which authorized Ordinance No. 038-04 CS that added a new Part of Chapter 8 of the Stockton Municipal Code. This Ordinance provided authorization for an additional one-quarter of one percent transaction and use tax, the proceeds of which shall be used for maintaining current police and fire protection service levels and to contract with the State Board of Equalization to perform all functions incident to the administration and operation hereof.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULE PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Stockton
City of Stockton, California

We have audited the schedule of revenues, expenditures and changes in fund balance (financial schedule) of the Measure W Public Safety Tax Fund (Fund) of the City of Stockton (City), for the year ended June 30, 2012, and have issued our report thereon dated February 18, 2014. Our report contained an explanatory paragraph describing that the schedule only presents the revenues, expenditures and changes in fund balance of the Fund and not the City. 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.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining internal controls. In planning and performing our audit, we considered the City's internal control over the Fund's financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over the Fund's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over the Fund's financial reporting.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies or material weaknesses. We did not identify any deficiencies in internal control over Fund's financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial schedule is free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Members of City Council
of the City of Stockton
Stockton, California
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This report is intended solely for the information and use of the City Council, Measure W Oversight Committee, and City management and is not intended to be and should not be used by anyone other than these specified parties.

For $\frac{1}{2}$ Mc Geady LLP

Walnut Creek, California
February 18, 2014