

**CITY OF STOCKTON
MEASURE W PUBLIC SAFETY TAX FUND**

Independent Auditor's Reports
and Financial Schedule

For the Year Ended
June 30, 2008

**CITY OF STOCKTON
Measure W Public Safety Tax Fund
For the Year Ended June 30, 2008**

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To the City Council
City of Stockton, California

INDEPENDENT AUDITOR'S REPORT

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, 2008. This financial schedule is the responsibility of City management. Our responsibility is to express an opinion on this financial schedule based on our audit

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 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 A, 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, 2008 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 change in fund balance of the Fund of the City, for the year ended June 30, 2008 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 November 6, 2008, 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.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 6, 2008

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MEASURE W PUBLIC SAFETY TAX FUND FOR THE YEAR ENDED JUNE 30, 2008

	Police	Fire	Other	Total
Revenues:				
Sales tax - Measure W	\$ 4,704,546	\$ 4,704,546	\$ -	\$ 9,409,092
Interest income	-	-	53,709	53,709
Net decrease in fair value of investment	-	-	(13,825)	(13,825)
Refunds and reimbursements	-	-	68,349	68,349
Total revenues	<u>4,704,546</u>	<u>4,704,546</u>	<u>108,233</u>	<u>9,517,325</u>
Expenditures - Public Safety:				
Payroll:				
Salaries	2,403,469	2,352,749	-	4,756,218
Benefits	2,048,453	2,033,963	-	4,082,416
	<u>4,451,922</u>	<u>4,386,712</u>	<u>-</u>	<u>8,838,634</u>
Products and Services Purchased				
Tax collection collection fee	57,000	57,000	-	114,000
Sales tax review service	25,710	25,710	-	51,420
Liability insurance	82,981	92,200	-	175,181
Patrol fleet charges	519,498	69,801	-	589,299
Lie detector tests	155	-	-	155
Psychological tests	-	350	-	350
Physical examination	(4,224)	(3,120)	-	(7,344)
Fleet vehicle parts	-	195	-	195
Telephone charges	68	-	-	68
Academy uniforms	832	-	-	832
Fuel charges	-	715	-	715
Body armor	3,369	-	-	3,369
Ammunition	37,606	-	-	37,606
Duty weapon, accessories helmets, and handcuffs	2,462	-	-	2,462
Reimburse officer for training cos	18,895	-	-	18,895
Academy tuition	7,245	-	-	7,245
Housing/food for academy	29,052	-	-	29,052
	<u>780,649</u>	<u>242,851</u>	<u>-</u>	<u>1,023,500</u>
Total expenditures	<u>5,232,571</u>	<u>4,629,563</u>	<u>-</u>	<u>9,862,134</u>
Excess of revenues over (under) expenditure	<u>(528,025)</u>	<u>74,983</u>	<u>108,233</u>	<u>(344,809)</u>
Other Financing Uses:				
Transfer out - City Central Garage Internal Service Fund	(119,005)	-	-	(119,005)
Transfer Out - City Radio Equipmen Internal Service Fund	(15,680)	-	-	(15,680)
Total transfers out	<u>(134,685)</u>	<u>-</u>	<u>-</u>	<u>(134,685)</u>
Net Change in Fund Balance	(662,710)	74,983	108,233	(479,494)
Fund Balance, Beginning of the Year	<u>2,316,000</u>	<u>300,834</u>	<u>186,530</u>	<u>2,803,364</u>
Fund Balance, End of the Year	<u>\$ 1,653,290</u>	<u>\$ 375,817</u>	<u>\$ 294,763</u>	<u>\$ 2,323,870</u>

The accompanying note is an integral part of this schedule

CITY OF STOCKTON
Measure W Public Safety Tax Fund
Note to Financial Schedule
For the Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 change in fund balance of the Fund of the City. It does not present fairly the financial position of the Fund or 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.

Basis of Presentation and Accounting/Measurement Focus

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 60 days after year-end. Expenditures of governmental funds are generally recognized when the related fund liability is incurred.

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 to 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.

OTHER REPORT

To the City Council
City of Stockton, California

**INDEPENDENT AUDITOR'S 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**

We have audited the schedule of revenues, expenditures and change 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, 2008, and have issued our report thereon dated November 6, 2008, which 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

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 Fund's financial statements, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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 of the Fund 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*.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 6, 2008