Attachment D

Measure W
Public Safety Tax Fund
of the City of Stockton

Stockton, California

Independent Auditors' Reports and Financial Schedules

For the Years Ended June 30, 2022 and 2021

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Stockton
Measure W Public Safety Tax Fund
For the Years Ended June 30, 2022 and 2021

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THE PUN GROUP
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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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial schedules of the Measure W Public Safety Tax Fund (the "Fund") of the City of Stockton, California (the "City") which comprise the schedules of revenues, expenditures and change in fund balance (the "Financial Schedules") for the years ended June 30, 2022 and 2021, and the related notes to the Financial Schedules.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the revenues, expenditures and change in fund balance of the Fund of the City, for the years ended June 30,2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Schedules section of our report. We are required to be independent of the City and the Fund 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 opinion.

Emphasis of Matter

As discussed in Note 1, the Financial Schedules presents only the revenues, expenditures and change in fund balance of the Fund and do not purport to, and do not, present fairly the financial position of the City of Stockton, California, as of June 30, 2022 and 2021, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Schedules

Management is responsible for the preparation and fair presentation of the Financial Schedules 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.

In preparing the Financial Schedules, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Schedules

Our objectives are to obtain reasonable assurance about whether the Financial Schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America and G*overnment 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. 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.
- 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023, 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. 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 Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Fund's financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
January 30, 2023

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Attachment D

City of Stockton
Measure W Public Safety Tax Fund
Schedules of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Police	Fire	Total	Police	Fire	Total
REVENUES:						
Taxes:						
Sales - levied by City	$ 7,412,488	$ 7,412,487	$ 14,824,975	$ 6,947,881	$ 6,947,881	$ 13,895,762
Investment income (loss)	(117,656)	(105,558)	(223,214)	2,345	2,104	4,449
Total revenues	7,294,832	7,306,929	14,601,761	6,950,226	6,949,985	13,900,211
EXPENDITURES - PUBLIC SAFETY:						
Payroll:						
Salaries	2,535,835	2,668,447	5,204,282	2,411,867	2,581,277	4,993,144
Benefits	2,507,590	2,576,580	5,084,170	2,347,114	2,420,994	4,768,108
Total payroll	5,043,425	5,245,027	10,288,452	4,758,981	5,002,271	9,761,252
Equipment, services and supplies:						
Tax collection fee	131,673	131,674	263,347	97,543	97,544	195,087
Liability insurance	187,751	205,684	393,435	158,243	173,696	331,939
Vehicle rental charges	367,539	191,852	559,391	319,766	206,529	526,295
Radio rental charges	31,295	24,623	55,918	50,162	22,543	72,705
Materials and services	206,999	16,783	223,782	31,140	83,787	114,927
Fuel charges	129,590	33,257	162,847	81,411	8,669	90,080
Capital outlay/equipment	-	877,809	877,809	-	102,603	102,603
Total equipment, services and supplies	1,054,847	1,481,682	2,536,529	738,265	695,371	1,433,636
Total expenditures	6,098,272	6,726,709	12,824,981	5,497,246	5,697,642	11,194,888
NET CHANGE IN FUND BALANCES	1,196,560	580,220	1,776,780	1,452,980	1,252,343	2,705,323
FUND BALANCES, BEGINNING OF YEAR	4,314,020	3,882,878	8,196,898	2,861,040	2,630,535	5,491,575
FUND BALANCES, END OF YEAR	$ 5,510,580	$ 4,463,098	$ 9,973,678	$ 4,314,020	$ 3,882,878	$ 8,196,898

See accompanying Notes to the Financial Schedules.

City of Stockton
Measure W Public Safety Tax Fund
Notes to the Financial Schedules
For the Years Ended June 30, 2022 and 2021

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, California (the "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. These financial schedules are 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 the City, nor the change in financial position of the City in accordance 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 (the "GASB") is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies reflected in the financial schedules 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 to maintain current police and fire protection service levels and to contract with the State of California Department of Tax and Fee Administration to perform all functions incident to the administration and operation of the tax.

D. Allocation of Revenue and Expenditures between Police and Fire Department

Tax revenue collected is distributed evenly between the Police and Fire Department. Investment expense and investment income are allocated between the Police and Fire Department based on balance reduced by expenditures incurred in each department during the year. All other expenditures are recorded based on actual amount incurred in respective department.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEUDLES 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 in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedules of revenues, expenditures and change in fund balance (the "Financial Schedules") of the Measure W Public Safety Tax Fund (the "Fund") of the City of Stockton, California (the "City"), for the years ended June 30, 2022 and 2021, and the related notes to the Financial Schedules, and have issued our report thereon dated January 30, 2023. Our report contained an explanatory paragraph describing that the schedules only presents the revenues, expenditures and change in fund balance of the Fund and not the City.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the Financial Schedules, we considered the City's internal control over the Fund's financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Financial Schedules, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over the Fund's financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 Fund's financial schedules 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 over the Fund's Financial Schedules 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. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedules 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 determination of Financial Schedules 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.*

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 City's internal control or on compliance as they relate to the Fund. 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.

The Pun Group, LLP

Santa Ana, California
January 30, 2023