



**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

**MEASURES A AND B
REVENUES AND EXPENDITURES**

FOR THE YEAR ENDED JUNE 30, 2018



**CITY OF STOCKTON
TABLE OF CONTENTS**

	PAGE
Independent Accountant's Report on Applying Agreed-Upon Procedures	1
Exhibit 1 - Measures A and B Schedule of Sources and Uses	6
Exhibit 2 - Revenue and Expenditures for FYE June 30, 2018, 2017, 2016, and 2015	8

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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



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We have performed the procedures enumerated below, which were agreed to by the City of Stockton, solely to assist you in determining that revenues were collected in accordance with Measure A and expenditures were spent in accordance with Measure B for the year ended June 30, 2018. The City of Stockton's management is responsible for the accounting records pertaining to Measures A and B. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. In order to plan and perform the agreed-upon procedures, we obtained an understanding of the key compliance requirements of Measures A and B. Additionally, we interviewed key personnel in the City's Administrative Services Department and Police Department to gain an understanding of the City's internal control structure relating to Measure A's financial transactions.

2. We obtained the Measures A and B Schedule of Sources and Uses included in the Comprehensive Annual Financial Report of the City of Stockton for the fiscal year ended June 30, 2018. The schedule is shown in Exhibit 1.

- a. In calculating the ratio of Measure B expenditures as a percent of Measure A revenues, the City included encumbrances of \$174,893. An encumbrance is a reservation of funds and not an expenditure. Measure B expenditures as a percentage of the total Measure A revenues was 71%.

	<u>Amount</u>
SOURCES / REVENUES:	
Measure A Transaction and Use Tax	\$ 31,735,727
Total Revenues	<u>31,735,727</u>
USES / EXPENDITURES:	
Police	21,600,708
Office of Violence Prevention	<u>873,609</u>
Total Measure B Expenditures	<u>22,474,317</u>
Measure B expenditures as a percentage of annual Measure A revenues	 71%
Excess of Revenues over Expenditures and Transfers	 <u>\$ 9,261,410</u>

- b. The excess of revenues over expenditures and transfers of \$9,261,410 remains in the General Fund as available fund balance.

3. To verify that Measure A revenues were collected in accordance with the tax measure, we obtained reports from the California State Board of Equalization (BOE) and the California Department of Tax and Fee Administration (CDTFA) and traced the following cash receipts:

	<u>Gross Revenues</u>
2017 – 3rd Quarter	\$ 7,977,848
2017 – 4th Quarter	8,735,937
2018 – 1st Quarter	7,479,180
2018 – 2nd Quarter	<u>7,542,762</u>
Total	<u><u>\$ 31,735,727</u></u>

The Measure A transaction and use tax revenue reported in Measures A and B Schedules of Sources and Uses in the amount of \$31,735,727 agreed to BOE and CDTFA records.

4. We examined approximately 25% of Measure B expenditures to validate the expenditures that were spent on the Marshall Plan on Crime. The approved Marshall Plan uses include the following:
- Rebuilding the Police Department;
 - Creating Office of Violence Prevention;
 - Implementing Neighborhood Blitz Team;
 - 120 New sworn public safety officers' positions over an estimated three-year period; and
 - 43 Civilian public safety positions over an estimated three-year period.

Below is a summary of Measure B expenditures examined.

<u>Uses / Expenditures – Measure B</u>	<u>Expenditures</u>	<u>Amounts Examined</u>	<u>Percentage</u>
Salary and benefits	\$ 19,352,234	\$ 3,814,024	20%
Equipment, materials, and supplies	710,924	508,990	72%
Other	<u>2,411,159</u>	<u>1,328,764</u>	55%
Total Measure B Expenditures	<u><u>\$ 22,474,317</u></u>	<u><u>\$ 5,651,778</u></u>	25%

- a. We obtained a report from City staff entitled, "Personnel Listing per Month" for City of Stockton, which shows date of hire for both sworn public safety officers and civilian public safety staff. We selected a sample of individuals to agree the employee hire dates on the report to Omniform-CS-23, "City of Stockton Report on Personnel Action" for each employee.

Based on these reports, we noted that the City hired 24 sworn public safety officers and 7 civilian public safety staff during the fiscal year ended June 30, 2018 using Measure A funds.

Of the 24 sworn public safety officers hired, 17 were new officers and 7 were existing sworn public safety officers. During the year, 5 of the new hires subsequently resigned or were terminated during the year. Furthermore, 3 of the sworn public safety officers out of 100 who remained as of June 30, 2017 resigned or were terminated during the fiscal year ended June 30, 2018, leaving 116 positions filled as of June 30, 2018. There was a net increase of 16 sworn public safety officers during the fiscal year ended June 30, 2018.

Of the 7 civilian public safety staff hired, all 7 were new hires. The 7 civilian public safety staff were still in the City's employment as of June 30, 2018. In addition, 2 other existing civilian public safety staff hired during the previous fiscal years resigned or were terminated during the fiscal year ended June 30, 2018, leaving 29 positions filled as of June 30, 2018. There was a net increase of 5 civilian public safety officers during the fiscal year ended June 30, 2018.

Since July 1, 2014, the City has hired a total of 207 sworn public safety officers, 45 civilian public safety staff, and 11 employees for the Office of Violence Prevention, for a total of 263 employees. As of June 30, 2018, 58% of the individuals hired remain in their positions. Please refer to the table below for more details.

MARSHALL PLAN POSITIONS (Cumulative)

CATEGORY	TOTAL AUTHORIZED / BUDGETED	POSITIONS FILLED AS OF JUNE 30,			
		2015	2016	2017	2018
Police Sworn	120	40	66	100	116
Police Civilian	17	5	12	12	16
Neighborhood Services	9	6	6	8	8
Neighborhood Blitz	5	5	5	4	5
Office of Violence Prevention	7	1	8	9	7
Totals	158	57	97	133	152

- b. The City also employed 21 retired police officers in part-time positions. These are not included in the table above which only notes full-time positions.
- c. We examined invoices, purchase orders, and City Council approval of resolutions for purchases of vehicles, radios, office equipment, and other supplies amounting to \$508,990.

5. We obtained the project activity reports and reviewed expenditures to date for the allocation of \$9,699,000 of Measure A funding for Mission Critical Spending shown below.

PROJECT DESCRIPTION	FISCAL YEAR APPROVED	(As of 11/20/2018)		
		MEASURE A FUNDING	EXPENDITURES TO DATE	REMAINING FUNDING
SEB 4th Floor Build Out	2016	\$ 1,500,000	\$ 1,500,000	\$ -
Police Communications System Upgrade	2016	650,000	650,000	-
Information Technology - ERP System	2015	5,000,000	1,268,675	3,731,325
Information Technology - Backup Infrastructure	2016	385,000	148,373	236,627
LED Lighting Project Phase III	2016	1,576,000	1,347,285	228,715
Parks Irrigation Controller Upgrade	2016	588,000	588,000	-
Totals		<u>\$ 9,699,000</u>	<u>\$ 5,502,333</u>	<u>\$ 4,196,667</u>

- a. We obtained reports from City Finance Department staff entitled "Project Activity Listing" detailing activity by project for SEB 4th Floor Build Out Project, Police Communications System Upgrade, Information Technology Projects, LED Lighting Project Phase III, and Parks Irrigation Controller Upgrade Project in the total amount of \$5,502,333 for the projects' history-to-date.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Stockton and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Eadie and Payne, LLP

December 28, 2018
Riverside, California

CITY OF STOCKTON
MEASURES A AND B SCHEDULE OF SOURCES AND USES
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT 1

	Final Budget	Year-End Actual	Variance with Final Budget
SOURCES / REVENUES:			
Measure A Transaction and Use Tax	\$ 31,020,000	\$ 31,735,727	\$ 715,727
Total Revenues	31,020,000	31,735,727	715,727
USES / EXPENDITURES:			
Police			
Salary and Benefits			
Sworn	17,037,508	15,907,750	1,129,758
Non-Sworn	3,385,429	2,879,875	505,554
Vacancy Savings	(1,635,312)	-	(1,635,312)
Other Services	1,893,879	1,613,908	279,971
Materials and Supplies			
Fuel	108,308	226,062	(117,754)
Other Supplies	418,364	213,637	204,727
Equipment			
Radios	8,499	8,499	-
Vehicles	240,000	240,000	-
Technology Upgrades	25,000	-	25,000
Other Expenses			
Training	512,305	510,977	1,328
	<u>21,993,980</u>	<u>21,600,708</u>	<u>393,272</u>
Office of Violence Prevention			
Salary and Benefits			
Non-Sworn	654,522	564,609	89,913
Other Services	360,407	275,911	84,496
Materials and Supplies			
Fuel	12,000	6,585	5,415
Other Supplies	12,094	5,647	6,447
Equipment			
Office Equipment	18,624	10,494	8,130
Other Expenses	15,750	10,363	5,387
	<u>1,073,397</u>	<u>873,609</u>	<u>199,788</u>

MEASURES A AND B SCHEDULE OF SOURCES AND USES (Continued)

	Final Budget	Year-End Actual	Variance with Final Budget
Basis Adjustment			
Encumbrances (included in Final Budget)	\$ -	\$ 174,893	\$ (174,893)
Total Measure B Expenditures	\$ 23,067,377	\$ 22,649,210	\$ 418,167
 Measure B expenditures as a percentage of annual Measure A revenues	 74%	 71%	
 Other City Services			
Prior Year – Mission Critical Projects			
Economic Development – ULI	27,166	-	27,166
Marketing/Communications Plan	25,000	-	25,000
General Fund Available Fund Balance	7,900,457	9,086,517	(1,186,060)
	7,952,623	9,086,517	(1,133,894)
 Total Uses/Expenditures	\$ 31,020,000	\$ 31,735,727	\$ (715,727)

CITY OF STOCKTON
REVENUE AND EXPENDITURES

EXHIBIT 2

FOR THE YEARS ENDED JUNE 30, 2018, 2017, 2016, AND 2015

	2018	2017	2016	2015
SOURCES / REVENUES:				
Measure A Transaction and Use Tax	\$ 31,735,727	\$ 30,048,605	\$ 29,259,106	\$ 27,811,587
Total Revenues	31,735,727	30,048,605	29,259,106	27,811,587
USES / EXPENDITURES:				
Police	21,600,708	17,433,483	12,255,785	4,857,390
Office of Violence Prevention	873,609	847,222	611,857	209,932
Total Measure B Expenditures	22,474,317	18,280,705	12,867,642	5,067,322
Measure B expenditures as a % of annual Measure A revenues	71%	61%	44%	18%
Other City Services				
Administration Overhead	-	-	730,920	230,096
Transfers to Mission Critical Projects	-	380,201	5,292,380	7,789,129
Total Other City Services	-	380,201	6,023,300	8,019,225
Total Uses/Expenditures	22,474,317	18,660,906	18,890,942	13,086,547
EXCESS OF REVENUES OVER EXPENDITURES AND TRANSFERS	\$ 9,261,410	\$ 11,387,699	\$ 10,368,164	\$ 14,725,040