

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, 2017 and 2016



City of Stockton
Measure W Public Safety Tax Fund
For the Years Ended June 30, 2017 and 2016

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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 Financial Schedules

We have audited the financial schedules of the Measure W Public Safety Fund (Fund) of the City of Stockton, which comprise the schedules of revenues, expenditures and change in fund balance (financial schedules) for the years ended June 30, 2017 and 2016 and the related notes to the financial schedules.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial schedules based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial schedules 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial schedules referred to above presents fairly, in all material respects, the revenues, expenditures and change in fund balance of the Fund of the City of Stockton, for the years ended June 30, 2017 and 2016 in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of the City Council
of City of Stockton
City of Stockton, California
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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 does not purport to, and does not, present fairly the financial position of the Fund or City, nor the change in financial position of the City for the years ended June 30, 2017 and 2016 in conformity with accounting principles generally accepted in the United States of America.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, 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 internal control over financial reporting 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 the Fund's financial reporting and compliance.

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Santa Ana, California
December 29, 2017

City of Stockton
Measure W Public Safety Tax Fund
Schedules of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2017 and 2016

	2017			2016		
	Police	Fire	Total	Police	Fire	Total
REVENUES:						
Taxes:						
Sales - levied by City	\$ 4,991,839	\$ 4,991,839	\$ 9,983,678	\$ 4,905,606	\$ 4,905,605	\$ 9,811,211
Investment expense (income):						
Interest expense (income)	(2,685)	(3,429)	(6,114)	13,429	17,753	31,182
Total revenues	4,989,154	4,988,410	9,977,564	4,919,035	4,923,358	9,842,393
EXPENDITURES - PUBLIC SAFETY:						
Payroll:						
Salaries	2,419,011	2,441,720	4,860,731	2,262,565	2,272,426	4,534,991
Benefits	2,100,785	2,183,045	4,283,830	1,848,158	1,986,316	3,834,474
Total Payroll	4,519,796	4,624,765	9,144,561	4,110,723	4,258,742	8,369,465
Equipment, services and supplies:						
Tax collection fee	118,175	118,175	236,350	111,000	111,000	222,000
Sales Tax Review Service	190	190	380	3,282	3,282	6,564
Liability Insurance	113,012	113,801	226,813	109,572	108,694	218,266
Vehicle rental charges	354,578	121,611	476,189	329,181	92,191	421,372
Radio rental charges	29,636	18,611	48,247	37,367	12,497	49,864
Materials and Services	8,748	456	9,204	22,623	457	23,080
Fuel Charges	-	7,038	7,038	-	8,309	8,309
Capital outlay/equipment	-	336,976	336,976	-	168,488	168,488
Total equipment, services and supplies	624,339	716,858	1,341,197	613,025	504,918	1,117,943
Total expenditures	5,144,135	5,341,623	10,485,758	4,723,748	4,763,660	9,487,408
NET CHANGE IN FUND BALANCES	(154,981)	(353,213)	(508,194)	195,287	159,698	354,985
FUND BALANCES, BEGINNING OF YEAR	1,466,388	1,938,463	3,404,851	1,271,101	1,778,765	3,049,866
FUND BALANCES, END OF YEAR	\$ 1,311,407	\$ 1,585,250	\$ 2,896,657	\$ 1,466,388	\$ 1,938,463	\$ 3,404,851

City of Stockton
Measure W Public Safety Tax Fund
Notes to the Financial Schedules
For the Years Ended June 30, 2017 and 2016

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. 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 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 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 Board of Equalization 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 total expenditures incurred in each department during the year. All other expenditures are recorded based on actual amount incurred in respective department.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL SCHEDULES 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 schedules of revenues, expenditures and change in fund balance (financial schedules) of the Measure W Public Safety Tax Fund (Fund) of the City of Stockton (City), for the years ended June 30, 2017 and 2016, and have issued our report thereon dated December 29, 2017. 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. 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 of the financial schedules, we considered the City's internal control over the Fund's financial reporting internal control) to determine 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 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 a reasonable possibility that a material misstatement of the City'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 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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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 as they relate to the Fund. Accordingly, this communication is not suitable for any other purpose.

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Santa Ana, California
December 29, 2017