Attachment A

CITY OF STOCKTON

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

MEASURE "A" REVENUES AND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

CITY OF STOCKTON
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EADIE + PAYNE LLP
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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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, 2015. 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 Finance Department and Police Department to gain an understanding of the City's internal control structure relating to Measure A's financial transactions.

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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, 2015. 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 $484,676. An encumbrance is a reservation of funds and not an expenditure. The Measure B expenditures as a percentage of the total Measure A revenues was 18%.

	AMOUNT
SOURCES/REVENUES:	
Measure A Transaction and Use Tax	$ 27,811,587
Total Revenues	**27,811,587**
USES/EXPENDITURES:	
Police	4,857,390
Office of Violence Prevention	209,932
Total Measure B Expenditures	**5,067,322**
Measure B expenditures as a % of annual Measure A revenues	**18%**
Other City Services	
Administration Overhead	230,096
Transfers for Mission Critical Projects	7,789,129
	8,019,225
Total Uses/Expenditures	**13,086,547**
Excess of Revenues over Expenditures and Transfers	**$ 14,725,040**

   b. The excess of revenues over expenditures and transfers of $14,725,040 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 a report from the California State Board of Equalization (BOE) and traced the following cash receipts to BOE records.

	GROSS	ADMINISTRATIVE COST	NET AMOUNT
Third Quarter 2014	$ 6,907,228	$ 33,250	$ 6,873,978
Fourth Quarter 2014	7,092,090	33,250	7,058,840
First Quarter 2015	6,569,260	99,040	6,470,220
Second Quarter 2015	7,243,009	62,700	7,180,309
Totals	$ 27,811,587	$ 228,240	$ 27,583,347

The Measure A transaction and use tax revenue reported in Measures A and B Schedules of Sources and Uses in the amount of $27,811,587 agreed to BOE records.

4. We examined approximately 69% 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:

USES/EXPENDITURES - MEASURE B	EXPENDITURES	AMOUNTS EXAMINED	PERCENTAGE
Salary and benefits	$ 2,460,518	$ 1,759,677	72%
Equipment, materials, and supplies	1,766,344	1,732,805	98%
Other	840,460	-	0%
Total Measure B Expenditures	$ 5,067,322	$ 3,492,482	69%

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 and civilian public safety officers. We agreed 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 78 sworn public safety officers from General Fund sources during the fiscal year ended June 30, 2015. 13 of the new hires subsequently resigned or were terminated during the year. 25 other sworn public safety officers left the City's employment, leaving a net increase of 40 sworn public safety officers during the year.

Measure A funds, which are considered part of the General Fund, were used directly for the salary and benefits of a total of 37 sworn public safety officers and 16 civilian public safety officers, which amounted to $1,759,677.

Of the 37 sworn public safety officers, 33 were new hires and 4 were existing employees of the City of Stockton (1 employee was hired from another City department, 1 employee moved from civilian public safety position to sworn public safety position, and 2 were existing sworn public safety officers who were promoted to sergeants).

There were 8 new hires for civilian public safety officer; 8 other civilian public safety officers were existing employees of the City.

In addition, the City hired 2 new employees for the Office of Violence Prevention during the fiscal year ended June 30, 2015. However, 1 of them was terminated during the year.

MARSHALL PLAN POSITIONS

CATEGORY	TOTAL AUTHORIZED/ BUDGETED FOR FYE JUNE 30, 2015	TOTAL FILLED AS OF JUNE 30, 2015
Police Sworn	40	40
Police Civilian	11	5
Neighborhood Services	6	6
Neighborhood Blitz	5	5
Office of Violence Prevention	7	1
Totals	69	57

b. We examined invoices, purchase orders and City Council approval of resolutions for purchases of vehicles, radios, office equipment, and other supplies amounting to $1,732,805.

5. We examined, on a test basis, the underlying supporting documentation for the allocation of $8 million of Measure A funding for Mission Critical Spending shown below.

PROJECT DESCRIPTION	BUDGET SECTION	FUNDING
Financial Systems	ISF Computer Equipment - CTSP	$5,000,000
Arena Point of Sale Upgrade	ISF Computer Equipment - CTSP	236,000
Implementation of Strategic Priorities	Administrative and Support	200,000
ULI Economic Development Implementation	Economic Development	100,000
Marketing/Communication Plan	Administrative and Support	100,000
Public Safety Radios	ISF Radio Equipment	1,000,000
Purchasing Improvements	Administrative and Support	164,000
Phase 1 LED Lighting	Capital Improvement Program	1,200,000
Total		$8,000,000

a. We verified that transfers are in line with the approved budget for FY 2014-2015.

b. We obtained reports from City Finance Department staff entitled "Project Activity Listing" detailing activity by project for both ISF Computer Equipment projects and Phase 1 LED Lighting Project in the amounts of $5,236,000 and $1,200,000, respectively.

   We noted that no expenditures have been incurred for the ISF Computer Equipment Project as of June 30, 2015. As of June 30, 2016, only $8,450 has been expended for this project. A total of $1,475,869 had been expended for the Phase 1 LED Lighting Project - $1,309,677 in expenditures were incurred in fiscal year 2015, and $166,192 in expenditures were incurred in fiscal year 2016.

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

November 8, 2016
Redlands, California

CITY OF STOCKTON
MEASURES A AND B SCHEDULE OF SOURCES AND USES
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Year End Actual	Variance with Final Budget
SOURCES/REVENUES:			
Measure A Transaction and Use Tax	$ 27,923,000	$ 27,811,587	$ 111,413
Total Revenues	**27,923,000**	**27,811,587**	**111,413**
USES/EXPENDITURES:			
Police			
Salary and Benefits			
Sworn	4,650,323	1,718,905	2,931,418
Non-Sworn	1,465,235	741,613	723,622
Vacancy Savings	(1,612,286)	-	(1,612,286)
Other Services	691,811	396,961	294,850
Materials and Supplies			
Fuel	186,000	3,935	182,065
Other Supplies	212,266	258,183	(45,917)
Equipment			
Office Equipment	78,756	26,125	52,631
Radios	390,389	375,873	14,516
Vehicles	1,309,990	1,102,228	207,762
Other Expenses			
Training	260,843	233,567	27,276
	7,633,327	4,857,390	2,775,937
Office of Violence Prevention			
Salary and Benefits			
Non-Sworn	370,555	77,520	293,035
Other Services	279,531	128,698	150,833
Materials and Supplies			
Fuel	12,000	-	12,000
Other Supplies	10,000	1,334	8,666
Equipment			
Office Equipment	17,500	-	17,500
Radios	27,600	2,380	25,220
Vehicles	75,000	-	75,000
Other Expenses	399	-	399
	792,585	209,932	582,653

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)	-	$ 484,676	$ (484,676)
Total Measure B Expenditures	**$ 8,425,912**	**5,551,998**	**2,873,914**
Measure B expenditures as a % of annual Measure A revenues	**30%**	**20%**	
Other City Services			
Administration Overhead	287,000	230,096	56,904
Mission Critical Projects			
Implementation of Strategic Priorities	200,000	200,000	-
Public Safety Radios	1,000,000	1,000,000	-
LED Lighting Project Phase 1	1,200,000	1,200,000	-
Information Technology Projects	5,236,000	5,236,000	-
Purchasing Improvements	164,000	132,129	31,871
ULI Economic Development	100,000	21,000	79,000
Marketing/Communications Plan	100,000	-	100,000
General Fund Available Fund Balance	11,210,088	14,209,583	(2,999,495)
Basis Adjustment			
Encumbrances (Included in Final Budget)	-	30,781	(30,781)
	19,497,088	22,259,589	(2,762,501)
Total Uses/Expenditures	**$ 27,923,000**	**$ 27,811,587**	**$ 111,413**