April 30, 2025 Measure A meeting, the committee unanimously adopted (Motion 2025-04-30-0403-01) the Annual Report July 1, 2018, to June 30, 2024, to send to the City Council. ATTACHMENT A

MEASURE A – DRAFT 3/29/25
ANNUAL REPORTS
JULY 1, 2018 TO JUNE 30, 2024

Given delays in preparation of the customary annual reports of the city of Stockton (City) Measure A Committee, this report combines information for the periods from July 1, 2018 to June 30, 2024.

Introduction.

The Measure A Committee is the single, statutory oversight body for the Measure A tax. On November 5, 2013 Stockton voters approved both Measures A and B, The Measure A tax became effective on April 1, 2014 with an additional three quarter (3/4) cent sales tax. The Measure A ordinance provided for the establishment of the Measure A Committee to "review the expenditures of revenues generated by the tax and to make recommendations to the City Council regarding those expenditures."

We offer our observations and recommendations about accounting and audits, and police staffing at the beginning of this report given the critical importance of those matters. We then provide additional background information and other observations and recommendations. We have provided links to key documents throughout this report.

Accounting and Audits.

Below is a table of the Measure A revenue collected and reported expenditures. These amounts are taken from financial statements provided by the City. Those financial statements were not prepared in accordance with Generally Accepted Accounting Principles (GAAP). The financial statements were not audited in accordance with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS).

		EXPENDITURES				
	REVENUE	SWORN	TOTAL POLICE	TOTAL	UNACCOUNTED	UNACCOUNTED
FYE 6/30:						
2014	6,573,956	0	5,216	68,720	6,505,236	99.0%
2015	27,811,587	1,718,905	4,857,390	5,551,998	22,259,589	80.0%
2016	29,259,106	6,247,971	12,255,785	13,423,658	15,835,448	54.1%
2017	30,048,605	11,077,640	17,433,483	18,441,314	11,607,291	38.6%
2018	31,735,727	15,907,750	21,600,708	22,649,210	9,086,517	28.6%
2019	34,570,561	17,552,945	23,347,964	24,385,739	10,184,822	29.5%
2020	34,329,713	18,424,245	24,925,978	26,073,828	8,255,885	24.0%
2021	40,810,516	19,316,382	26,248,290	27,374,026	13,436,490	32.9%
2022	45,412,129	18,420,634	25,408,688	26,604,773	18,807,356	41.4%
2023	49,703,488	22,471,737	30,750,171	32,054,399	17,649,089	35.5%
TOTALS	330,255,388	131,138,209	186,833,673	196,627,665	133,627,723	40.5%
	100.0%	39.7%	56.6%	59.5%	40.5%	

EXPENDITURES EXCLUDES OTHER CITY SERVICES AND MISSION CRITICAL PROJECTS. THE CITY ADMITTED IT DID NOT HAVE SUPPORT, AMOUNTS NOT EXPENDED, AND NOT LISTED AS A MEASURE B ELIGIBLE COSTS.

2014	192,000
2015	8,050,006
2016	6,297,101
2017	407,367

The amount of unaccounted Measure A funds is profound, over 40% of the collected tax. The City has failed to account specifically for these funds as either (1) accumulated as an unexpended fund balance or (2) as expended but not reported on the Measure A financial statements. [link]

Consider the proper financial statements of Measure M. [link]. The provisions in the Measure M ordinance for audits and accounting are exactly the same as Measure A. Measure M has a full set of GAAP compliant financial statements, and audits conducted under GAAS and GAGAS. The surplus over expenditures is accumulated in a fund balance account. There is an opinion on the financial statements. There are notes to the financial statements, a report on internal control, and supplementary information that shows detailed information about the budget including original budget, final budget, actual and variance. The cost of the Measure M audit was listed as $5,000.

The Measure A table above has no entries for the year end June 30, 2024. The Committee, at its March 27, 2025 meeting was provided a report: General Fund Measures A and B Summary" which reflected revenue of $46,214,556 and a residual line item: General Fund Services & Reserves $7,790,539. This report was not considered at the meeting because staff scheduling problems resulted in premature adjournment. Furthermore, we have no evidence the amounts have been subject to audit or any attest procedures, and the financial statement clearly has not been prepared in compliance with GAAP.

Like last year, the City's financial reports and audits are delinquent. In a January 27, 2025 posting on the Electronic Municipal Market Access (EMMA) website, the City disclosed it "will fail to meet its obligation to post audited financial statements" by the February 1 deadline. The failure "is due to the implementation of the City's finance and payroll reporting system" and staff turnover.

The prior year reports were delinquent. The City violated a number of loan covenants. The June 2023 audit reports included findings of material weakness in internal control. There was a $38.5 million prior period adjustment, i.e., error in the prior audited financial statements. The material errors and internal control deficiencies were due to problems in the City's accounting system.

Given the problems with the citywide accounting, it is more important than ever to have proper, complete Measure A accounting reports and audits. Below we recite some historic concerns with Measure A accounting and audits, and the efforts of the Committee and the City to address those concerns.

The Measure A Committee has called for proper accounting and audits since its first annual report that was released in March 2016:

> Independent Audit: In the interest of transparency and proper oversight, on May 19, 2015 the Committee sent a recommendation to City Council to arrange an outside audit of the Measure A funds under generally accepted auditing standards, separate from the annual CAFR, to be performed by an auditing firm independent of city staff and persons currently hired by the city. The recommendation was not supported by the City Manager's office.

The Committee has passed motions urging the City Council to arrange for the preparation of financial statements compliant with GAAP and audits under GAAS and GAGAS.

Every annual report has called for preparation of complete and proper financial statements and audits.

FY 2014-15 released on March 3, 2016
FY 2015-16 released on September 20, 2017
FY 2016-17 released February 28, 2018
FY 2017-18 released August 23, 2019

The Committee further passed motions to call for complete and proper financial statements and audits.

Motion 2015-09-24-0301 adopted May 19, 2015.
Motion 2022-10-03-0405 adopted October 3, 2022.

Instead of honoring the request for a proper audit of the financial statements of Measure A, the City has substituted other accounting services. It has arranged engagements under Standards for Attest Engagements i.e., Agreed Upon Procedures. It has arranged for a Performance Audit by the City's Internal Auditor.

While those services provide some useful information, those are not financial statement audits, also known in professional parlance as "examinations." We need audits of the financial statements where the financial statements are prepared under GAAP and audits are conducted under GAAS and GAGAS.

Proper accounting and audits would follow the form of the Measure M financial statements and audits. Again, section 20 of the Measure A ordinance reads exactly the same as the Measure M ordinance.

> Section 20. Audit and Review. The proceeds of the tax imposed by this Ordinance, as well as the expenditure thereof, shall be audited annually by an independent accounting firm. The City Council shall discuss the results of such audit at a meeting of the City Council that is open to the public. The report of such audit shall be posted on the City's website.

The City claimed it cannot prepare Measure A financial statements and arrange for traditional audits. Consider the stated reasons.

> July 1, 2015, statement from the City Manager:
>
> External Audit of Measure A: Measure A is not a separate fund, it is a part of the General Fund, and is audited as part of the Comprehensive Annual Financial Report (CAFR). The entire General Fund is audited as part of the CAFR. There is not a separate display or specific audit component because the General Fund collected under Measure A is not designated to a specific purpose or fund (even though it is as a practical matter). To manage or audit Measure A differently by treating it as a special tax could call into question the legal basis for its approval.
>
> October 13, 2022, statement by Ryan Meyerhoff, Deputy City Attorney
>
> The issue staff raised is that we cannot perform a Measure M-style audit on just a portion of the General Fund, where Measure A funds reside. Measure M, unlike A, is a special

> tax and has its funds segregated. If the City were to segregate Measure A funds in a similar manner to facilitate a Measure M-style audit we may invite legal challenge that Measure A is a special tax.

That is not a credible position of the City. We do not know of any example where a California sales tax was invalidated by having an audit, especially an audit required under the enabling ordinance.

Members of the Committee and the public have asked over and over again for a citation to any California Court case where a tax was overturned by having an audit. A member provided the City guidance and authority from the AICPA's State and Local Accounting and Audit Guide on such audits of subfunds of a general fund. The City's general ledger had many subfund accounts classified as part of the general fund including a subfund for Measure A (e.g., subfund 14). It had a subfund 13 library, 44 recreational services, 45 boat lunching, 86 entertainment service fund. Those funds have "been segregated" in the general ledger. Such fund accounting and structure is common in government and nongovernment accounting.

At the very least, the City should have made clear in the Measure A ordinance that there would be no audit of the Measure A financial statements. That way, voters would not have been misled. If the City persists in maintaining this position, it seems the City is open to substantial risk of the tax being overturned because of what seems a material misstatement about audits and oversight in the ballot language.

None of the Agreed Upon Procedures reports or the Performance Audit contain a discussion, analysis or evaluation of the statement of the City's position. At an early Measure A Committee meeting, staff said it would ask for a "white paper" from outside experts to offer advice on how to prepare the required financial statements and conduct an audit of the Measure A fund. We see no evidence that the City followed up on that opportunity.

The Performance Audit was prepared by the City's Internal Auditor and presented at the November 20, 2023, meeting of the Measure A Committee. [Link.] The report contains no financial statements. There is no opinion on financial statements. There is no mention or explanation of the unaccounted for $133,627,723 in Measure A Funds.

The City's Internal Auditor spoke at the Measure A Committee September 29, 2016 meeting. Per the minutes of that meeting:

> 4.4 16-3052 OVERVIEW OF THE CITY'S INTERNAL AUDITOR
>
> Mark Steranka, Partner, Moss Adams LLP - provided the report and responded to questions from Committee members with additional comments from Chief Financial Officer Matt Paulin. Mark Steranka remarked during his presentation that the goal of an Internal Auditor is not to find things wrong, but to help Cities operate better. In response to questions from Member Leiba regarding what advice he could give the Committee to discharge their duties under the Ordinance and Charter of Measure A, Mr. Steranka stated that the Committee can do its best to understand how dollars are coming in and take a leap of faith that monies are flowing.

Accordingly, there was concern that the City's Internal Auditor does not function with the independence, professional skepticism and focus that would assist the Measure A Committee.

The Measure A Committee has repeatedly called for an audit by an outside firm not connected to the City.

At the September 19, 2018 Measure A Committee meeting, the CFO said the City was able purchase its New City Hall because of Measure A funds.

> The reason why we were able to purchase the waterfront office towers for cash, that is going to be our new permanent City Hall, is because of the money that we saved in no small part due to Measure A.

By "saved," the CFO refers to the substantial increase in the general fund balance due to retention of Measure A funds. At June 30, 2023, the last date available, the general fund balance had increased to $212.4 million.

The CFO later clarified that "it was not completely Measure A funds" used to purchase and renovate the New City Hall. The cost, and potential use of Measure A funds, for the New City Hall could reach $100 million.

There is no accounting or even discussion of the use of Measure A funds for the New City Hall in the Measure A Performance Audit or Measure A Agreed Upon Procedures engagements. We see little information in the annual reports about the New City Hall project that seems to be substantially funded with Measure A tax proceeds.

Consider the June 30, 2015 Measure A financial reports that included a line item under Uses and Expenditures: Information Technology Projects $5,236,000. Members of the Measure A Committee were concerned about this and other apparent, claimed uses of Measure A funds listed on the financial reports. A member had to make a request under the California Public Records Act to finally determine this amount and other large "Uses and Expenditures" were not in fact expended by the City. Consider the explanation of the Assistant City Manager.

> June 19, 2018 statement by the Assistant City Manager as reported by Record Columnist Michael Fitzgerald:
>
> Christian Clegg said of that 2015 expenditure you [Ned Leiba - member of Measure A Committee] overlined, saying the city didn't actually spend that money, that according to government accounting standards, if the money is moved from the General Fund into a line item, it is considered spent, even if it has not yet.

That assertion is not credible. A member of the Committee spoke with Governmental Accounting Standards Board senior technical managers. The member provided contact information to the City so staff could correct their misunderstandings. The application of the City's expressed government accounting standard would result in materially misstated Measure A financial reports, to say nothing of the other financial reports produced by the City.

None of the Agreed Upon Procedures reports or the Performance Audit contain a discussion or analysis of the City's profoundly incorrect understanding of government accounting standards. What was the effect of this accounting treatment on financial statements of Measure A? The engagements commissioned by the City are silent.

The accounting and audit deficiencies appear profound. We call again, in the strongest terms, for the City to arrange for proper accounting and audits of Measure A funds. It is impossible for the Measure A Committee to discharge its duties without reliable, complete financial information.

Police Staffing.

The public was promised that Measure A funds would result in an increase of 120 sworn officers. The base was 365 and thus the promised goal was 485 sworn officers. As reflected in the table below, the City has failed to meet their promised staffing level. The number of sworn officers is only 361 as of June 30, 2024. The City is below the 365 base number of sworn officers at the beginning of the Measure A funding period.

04/01/14 BASE	365			
04/01/14 BASE PLUS 120 PROMISED	485			
Source:	TOTAL	VS 485	VS 365	Percent VS +120
06/30/16 CAFR	411	-74	46	38.33%
06/30/17 CAFR	445	-40	80	66.67%
06/30/18 CAFR	470	-15	105	87.50%
06/30/19 CAFR	469	-16	104	86.67%
06/30/20 CAFR	432	-53	67	55.83%
06/30/21 ACFR	433	-52	68	56.67%
06/30/22 ACFR	405	-80	40	33.33%
06/30/23 ACFR	352	-133	-13	-10.83%
06/30/24 Measure A Meeting 11/21/24	361	-124	-4	-3.33%

CAFR: Comprehensive Annual Financial Report of the City
ACFR: Annual Comprehensive Financial Report of the City.
Measure A Committee: Measure A Committee meeting.

The failure of the City to meet its promised staffing level is profoundly alarming. The 2023 action of the City to reduce the target is not availing to change the promised staffing when Measure A was approved by the voters.

While the Measure A Committee appreciates the efforts of the Stockton Police Department (SPD) to hire and retain officers, it has failed to build the numbers promised. Those additions to police staff have been budgeted year after year. We need to understand the reasons for the failure to reach the promised goals. It seems it is due to failure to retain veteran officers.

The Measure A Committee, in its first report March 3, 2016, stated:

> We recommend independent, professionally conducted interviews of exited officers to see if the critical issues of retention and attrition can be better understood.

We strongly recommend the City arrange for a professional, blinded survey of police officer who have separated from the Department over the last 5 years, to determine the reasons for failure to retain officers.

Background and History.

On July 9, 2013, the Stockton City Council adopted Resolution 2013-07-09-1601 calling for a special election establishing the ¾cent sales tax contingent upon voter consideration and

approval at the November 5, 2013, election.

On October 8, 2013, the Stockton City Council adopted Resolution 2013-10-08-1505 to clarify the intent of authorizing the formation of a Citizens' Oversight Committee. The Measure A Committee was to be comprised of seven City Council appointees tasked with the oversight of Measure A revenues and expenditures.

Responsibilities include a review of annual audits conducted by an independent accounting firm, measuring economic recovery to determine when the tax should end, producing annual reports, holding public meetings and making recommendations to the City Council.

On November 5, 2013, Stockton voters approved both Measures A and B authorized under Ordinance 2013-07-09-1601.

Measure A is a transaction and use (sales) tax initiative introduced by the City of Stockton. A key component in the campaign leading up to the ballot measure was the promise of an effective citizens' oversight committee.

April 1, 2014, with an additional three quarter (3/4) cent sales tax, the sales tax within the City of Stockton increased to nine percent (9%). The tax was set to expire by its own terms in ten years, unless extended by the City Council. The City Council on December 5, 2023, extended the tax for another 10 years. It is not scheduled to sunset until March 2034.

The ballot measure provided:

> Law Enforcement, Crime Prevention, and Other Essential City Services Measure. To pay for law enforcement and crime prevention services such as those described in Stockton's Marshall Plan on Crime, to help end the bankruptcy and restore other City services; and provided it shall sunset in ten years or when economic recovery occurs, a Citizen's Oversight Committee reports on the use of proceeds, and independent audits are done annually shall Ordinance 2013-07-09-1601 be adopted to impose a 3/4 cent transaction and use (sales) tax?

Measure A was accompanied by Measure B, a non-binding advisory measure to communicate the priorities and will of the people. The voter approved Measure B called for 65 percent of the new revenues to be used for law enforcement and crime prevention services such as those described in the City's Marshall Plan on Crime. This had three components. First to hire 120 additional sworn officers as well as civilian staff. Second, fund an Office of Violence Prevention and implement Neighborhood Blitz Teams. Third, the remaining 35 percent of the proceeds was to be used only to pay for the City's efforts to end the bankruptcy and for services to residents, businesses, and property owners.

Measure B as it appeared on the November 5, 2013 Ballot:

> Advisory Measure. If Measure A is approved by the voters, shall (I) 65% of its proceeds be used only to pay for law enforcement and crime prevention services in the City such as those described in the City's Marshall Plan on Crime and (ii) 35% of its proceeds be used only to pay for the City's efforts to end the bankruptcy and for services to residents, businesses, and property owners?

Measure A passed with a yes vote of 51.85%. That constituted an affirmative vote of 11% of the city's population. Measure B passed with a yes vote of 59.27%.

The City's bankruptcy case ended February 10, 2015, with approval of its plan. The Committee cannot determine what Measure A funds have been used "to end the bankruptcy." Funding a New City Hall that might cost $100 million would not properly be considered an expenditure to "end the bankruptcy" nor would it prosaically be considered services to "residents, businesses and property owners."

At the June 6, 2024, Measure A meeting, staff as the last item included material on a Measure A Guidelines Expenditure Plan. A schedule listed the use of residual Measure A funds: $5,927,000 to pay the annual debt due to Assured Guaranty, $3,000,000 Victory Park Pool, and $286,927 Fire Station No. 7. No details, analysis, evaluation or alternatives were presented or discussed. This was an "information only" item. The Committee did not adopt or endorse this Plan, indeed, under the agenda prepared by staff, the Measure A Committee could take no action on this item.

We oppose this Plan. The Committee should be given an opportunity for substantive deliberation on all significant uses of Measure A funds. The payments to Assured Guarantee in 2025 and thereafter will not be used to "end the bankruptcy" that was over in February 2015. Furthermore, there must be consideration of alternatives. For example, the Assured Guarantee debt would have been paid in full if a fraction of the Measure A funds used for the New City Hall were used to pay off that debt. This Plan seems to be an unfortunate response to the repeated calls by the Committee for proper and complete accounting and audits, and the involvement of the Committee in budgeting of Measure A funds.

Measure A Committee Report Contents.

The charter provides that the Committee must meet at least annually and make recommendations to the City Council regarding Measure A revenues and expenditures. The report shall include the following relevant elements:

1. A statement indicating whether the City is in compliance with the purposes set forth in the applicable ballot measures with respect to the tax proceeds.

2. A review of tax revenues and expenditures to verify that amounts collected were expended for the purposes set forth in the applicable ballot measure with respect to the tax proceeds.

3. A review of the City' progress in implementing the recommendation of the Marshall Plan on Crime, including the hiring of 120 additional police officers and other investments.

4. A summary of the Committee' proceedings and activities.

These elements have been addressed in this report.

For item 1-2, the Committee cannot affirm those statements.

For item 3, as discussed above, the City is regressing on its goal of hiring 120 new officers.

Item 4, a summary of the committee's members and activities are further discussed below.

Members of the Measure A Committee during the period July 1, 2018, through June 30, 2024:

Anderson, Joni
Bartman, Susan
Cox, Julia
Gonzalez, Ernesto
Hake, Blair
Johnson, Joseph
Klor, Hank.
Kosier, Andrea
Miller, Karl
Mannor, Anthony
Offield, Daniel
Ramos, Carmen
Rivas, Destiny
Smith, Eric
Vigil, Douglas
Williams, Dwight

The Measure A Committee held meetings as reflected in the table below.

TABLE OF MEASURE A COMMITTEE MEETINGS

Meeting	Members Attending	Notes
September 19, 2018	Anderson Bartman Vice Chair Cox Gonzalez Johnson Miller Williams Chair.	
November 28, 2018	Anderson Bartman Vice Chair - absent Cox Gonzalez Johnson Miller Williams Chair	
March 20, 2019	Anderson Gonzalez Mannor Miller Ramos Williams Chair	
June 5, 2019	Anderson Gonzalez Johnson. Mannor Miller Ramos - absent Williams Chair	
September 25, 2019	Anderson Gonzalez - absent excused. Johnson - absent excused Mannor Miller Ramos Williams Chair	
October 16, 2019	Anderson Gonzalez Vice Chair Johnson Mannor - absent Miller Ramos Williams Chair	Charter 5-year review, 2017-18 Annual Report

Meeting	Members Attending	Notes
January 23, 2020	Anderson Gonzalez Vice Chair Johnson Mannor Miller - absent Ramos Williams Chair	
May 27, 2020	Anderson Gonzalez Vice Chair - absent Johnson Mannor Ramos - absent Williams Chair	
September 9, 2020	Anderson Gonzalez Vice Chair Johnson Mannor Ramos Williams Chair	
January 28, 2021	Anderson - absent Gonzalez Vice Chair Johnson Mannor Ramos - absent Williams Chair	
June 11, 2021	Anderson Gonzalez Chair Hake Kosier - absence excused. Mannor	
November 17, 2021	Anderson - absent Gonzalez Chair Hake Kosier Mannor Vice Chair Smith	
April 25, 2022	Anderson Gonzalez Chair Hake - absent Kosier Mannor Vice Chair - absent Smith	

Meeting	Members Attending	Notes
June 6, 2022	Anderson Gonzalez Chair Hake - absent Kosier Mannor Vice Chair Smith - absent	
October 3, 2022	Anderson Gonzalez Chair Hake - absent Kosier Mannor Vice Chair Smith - absent	
March 6, 2023		cancelled lack of quorum
May 15, 2023	Gonzalez Chair Hake Kosier - absent Mannor Vice Chair Rivas Smith - absent	
November 13, 2023	Gonzalez Chair Hake - absent Klor Mannor Vice Chair Rivas - absent Smith - absent Vigil	
November 20, 2023	Gonzalez Chair Hake Klor Mannor Vice Chair Rivas Vigil - absent	
March 28, 2024		cancelled lack of quorum
April 29, 2024		cancelled lack of quorum
June 6, 2024	Gonzalez Chair Hake Klor Mannor Vice Chair Offield - absence excused. Rivas Vigil	

Meeting	Members Attending	Notes
November 21, 2024	Gonzalez Chair Hake Klor Mannor Vice Chair Offield Rivas - absent Vigil - absent	

At each meeting, there was a presentation by the Stockton Police Department (SPD), the Office of Violence Prevention (OVP) and Administrative Services. The presentations provided information on SPD staffing, crime statistics and the latest developments. OVP presented information on the Peacekeeper program to address gun violence in our community. Administrative services provided quarterly financial reports. Those reports were not complete presentations and not consistent with annual reporting formats and customary accounting standards.

The efforts of SPD, OVP and others within the City have been extensive, genuine, and laudable. Clearly the efforts of SPD and OVP have reduced crime, but it is difficult to measure the beneficial effects and to develop a clear determination of cost and benefits. Crime is high. Officer staffing levels by all measures are too low.

The Measure A Committee is looking for clear, quantifiable trends to show the benefits of the tax.

Agendas and Minutes are posted on the city's web site:

www.stocktongov.com/government/departments/manager/pubMeasureA.html
www.stocktongov.com/government/oMeetings/boardComMeetings.html

Prior Annual Reports.

Most of the observations and recommendations in the prior four reports remain relevant and cogent. Please consult those reports for detailed information. Link. We recite below some statements of observations and recommendations from past annual reports that we believe have specific relevancy to current concerns.

1. FY 2014-15 released on March 3, 2016:

   Independent Audit: In the interest of transparency and proper oversight, on May 19, 2015 the Committee sent a recommendation to City Council to arrange an outside audit of the Measure A funds under generally accepted auditing standards, separate from the annual CAFR, to be performed by an auditing firm independent of city staff and persons currently hired by the city. The recommendation was not supported by the City Manager's office. However, the Council Audit Committee acted favorably to the recommendation, and it was later approved by the City Council. The audit is scheduled for spring 2016 and it will be addressed in the next annual report.

   No audit was performed.

2. FY 2015-16 released on September 20, 2017.

There was no audit but rather an agreed upon procedures engagement.

Recommendation: The committee continues to recommend that a full audit be made of the Measure A funds on an annual basis pursuant to the ordinance and the expectations of the voters.

3. FY 2016-17 released February 28, 2018.

Police Staffing: The assurances set forth in the Implementation Plan for a quantified level of police staffing has not been met. The residents of Stockton were told that, with Measure A revenues, at least 120 additional sworn officers would be employed by the end of Fiscal Year 2016-17. It did not happen. Prior to Measure A, Stockton had 365 budgeted authorized positions for sworn officers. This is the benchmark from which to measure the Implementation Plan of 120 additional officers funded by Measure A officers in the three years. . . . As of June 30, 2017, there were a total of 447 [445 per the CAFR] positions filled . . . This is far short of the established goal of 485.

Audits: Recommendation: The committee continues to recommend that a full audit be made of the Measure A funds on an annual basis pursuant to the ordinance and the expectation of the voters.

4. FY 2017-18 released August 23, 2019.

Staffing. Prior to Measure A, in June 2014, Stockton had 365 authorized positions for sworn officers. This is the benchmark to measure the success of the Implementation Plan of 120 additional officers funded by the Measure A Tax. Once again, the Committee must point out, the assurances set forth in the Implementation Plan for a quantified level of police staffing has not been met . . . . On June 30, 2018 filled positions for sworn officers was at 470. Measure A funded positions had a net gain of 16 sworn officers. This was still 15 positions short of the set benchmark of 485.

Ineffective and costly hiring efforts: To the best of our estimates, when you factor the number of officers lost by the $54,000 hiring cost, the City has spent approximately $10,962,000 in hiring costs that could have been used on other priorities.

Bankruptcy Recovery. $9.2 million dollars was spent in FY 2017/2018 on bankruptcy recovery. We were provided no other details or breakdown of these costs. Therefore, we are unable to report further or make any recommendations.

Financial reports and audits. Recommendation: We continue to request that the Revenue and Expenditures of Measure A funds be audited annually by an independent auditor. Which is clearly stated in Section 20 Audit and Review. . . . This process has not been occurring in a manner designated in the By Laws. Thus, the Committee continues to request the independent audit of Measure A Tax proceeds and expenditures be completed and that the By Law's be followed as set forth in the Charter.

Failure of the city to provide information and accommodate its oversight function of the committee. Mission and Purpose: The mission of a strong and independent Committee is to oversee the expenditure of revenues generated by Measure A and to make

recommendations to the City Council regarding those expenditures as set forth in Measure B. The Committee was not involved in the pre-budget process and therefore unable to make recommendations to the City Council.

The Committee shall conduct an annual meeting with the City/Independent auditor and City staff, each year within 60 days following the audit of the prior fiscal year's books. The purpose of the annual meeting is for Committee members to review the expenditures of Measure A proceeds and the audits, as attested by the City/Independent financial auditor, to ensure that tax proceeds are expended for the purpose set forth in the applicable Measure A & B ballot language. The annual meeting will also include the task of adopting an annual report of their findings for presentation to the City Council.

In accordance with the Charter, The Committee will meet at least one additional time to review budgets for Measure A revenues and Measure B (public safety) expenditures before the City Council's public sessions on the upcoming annual budget.

Additional Observations and Recommendations.

1. The Chair and Vice Chair should work on the agenda with staff well before the scheduled meetings.

2. The quarterly financial reports provided by the City should be in the same format with proper cut-off dates like the annual financial statements.

3. The Measure A Committee, because it is the only statutory oversight committee, should be involved in the selection of outside auditors and have essential communications with the outside auditors.

4. Once every two years, the Measure A Committee should have a workshop to hear from outside experts in police staffing, tactics, crime suppression, and relevant topics in government accounting and auditing,

5. The Committee should have the opportunity to review the proposed Measure A budget before adoption and offer recommendations.

City of Stockton

Stockton, California

Independent Accountants' Report on Applying Agreed-Upon Procedures on Measure A and B Transaction and Use Tax

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES ON MEASURE A AND B TRANSACTION AND USE TAX

To the Honorable Mayor and Members of City Council
of the City of Stockton
Stockton, California

We have performed the procedures enumerated below on the Measure A and B Schedule of Sources and Uses of the City of Stockton, California (the "City") for the year ended June 30, 2023. The City's management is responsible for the Measure A and B Schedule of Sources and Uses (the "Schedule").

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether Transaction and Use Tax of the City were collected in accordance with Measure A and expenditures were spent in accordance with provisions of Measure B for the year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described as follows:

1. We obtained understanding of the compliance requirements of Measure A, B, and the Marshall Plan on Crime.

   Findings: No exceptions were noted.

2. We obtained the Measure A and B Schedule of Sources and Uses included in the Annual Comprehensive Financial Report of the City for the fiscal year ended June 30, 2023.

   Findings: No exceptions were noted.

3. We obtained reports from the California Department of Tax and Fee Administration (CDTFA) and traced the quarterly cash receipts for the fiscal year ended June 30, 2023.

   Findings: No exceptions were noted.

4. We selected 40 expenditure transactions spent in Marshall Plan on Crime and determine whether they were spent in accordance with approved Marshall Plan uses.

   Findings: No exceptions were noted.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure A and B Schedule of Sources and Uses. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

The Pun Group, LLP

Santa Ana, California
March 13, 2024

City of Stockton
Measure A and B Schedule of Sources and Uses
For the Year Ended June 30, 2023

	Final Budget	Year End Actual	Variance
Revenues			
Measure A Transaction and Use Tax	$ 42,080,000	$ 49,703,488	$ 7,623,488
Total Revenues	42,080,000	49,703,488	7,623,488
Uses/Expenditures			
Police			
Salary & Benefits			
Sworn	24,965,558	22,471,737	2,493,821
Non-Sworn	3,892,835	3,312,145	580,690
Vacancy Savings	(1,696,203)	-	(1,696,203)
Other Services	3,496,480	3,379,931	116,549
Materials & Supplies			-
Fuel	346,141	414,694	(68,553)
Other Supplies	1,132,271	510,188	622,083
Other Expenses			
Training	595,000	584,222	10,778
Capital outlay	277,254	77,254	200,000
	33,009,336	30,750,171	2,259,165
Office of Violence Prevention			
Salary & Benefits			
Non-Sworn	926,130	774,769	151,361
Other Services	317,033	285,544	31,489
Fuel	7,750	8,078	(328)
Other Supplies	36,553	27,036	9,517
Office Equipment	3,979	-	3,979
Other Expenses	20,000	9,638	10,362
	1,311,445	1,105,065	206,380
Basic Adjustment			
Encumbrances (included in Final Budget)	-	199,163	(199,163)
Total Measure B Expenditures	34,320,781	32,054,399	2,266,382
Crime Prevention (Measure B) expenditures as a % of annual Measure A revenues	82%	64%	
Other City Services			
General Fund Available Fund Balance	7,759,219	17,649,089	(9,889,870)
Total Uses/Expenditures	$ 42,080,000	$ 49,703,488	$ (7,623,488)

Measure M
Strong Communities Fund
of the City of Stockton

Stockton, California

Financial Statements and
Independent Auditors' Reports

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Stockton
Measure M Strong Communities Fund
For the Year Ended June 30, 2023

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FINANCIAL SECTION

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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 the City of Stockton
Stockton, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Stockton, California (the "City") Strong Communities Initiative Measure M (the "Fund"), which comprise the balance sheet as of June 30, 2023 and the related statement of revenues, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2023, and the respective changes in financial position thereof for the year then ended 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 Statements 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 statements present only 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, 2023, the changes in its financial position, or where applicable, its cash flows for the year 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 Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City'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 Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024, 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 the 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
March 13, 2024

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS 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
Stockton, California

We have audited, in accordance with the 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, the financial statements of the Measure M Strong Communities Fund (the "Fund") of the City of Stockton, California (the "City"), which comprise the balance sheet as of June 30, 2023 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the fund financial statements and have issued our report thereon dated March 13, 2024.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure M Strong Communities Fund of the City 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 statement 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Santa Ana, California
March 13, 2024

FUND FINANCIAL STATEMENTS

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City of Stockton
Measure M Strong Communities Fund
Balance Sheet
June 30, 2023

Assets		
Cash and investments	$	31,008,586
Interest receivable		146,896
Deposits		18,097
Due from State of California Department of Tax and Fee Administration		2,682,599
Total assets	$	33,856,178
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$	247,521
Accrued payroll		199,882
Total liabilities		447,403
Fund Balance:		
Nonspendable		18,097
Restricted		33,390,678
Total fund balance		33,408,775
Total liabilities and fund balance	$	33,856,178

See accompanying Notes to Fund Financial Statements.

City of Stockton
Measure M Strong Communities Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2023

Revenues:	
Taxes:	
Sales - levied by City	$ 16,551,044
Interest income (loss)	(234,758)
Total revenues	16,316,286
Expenditures:	
Current:	
Library	2,892,739
Parks and recreation	4,821,876
Capital outlay	6,721,241
Total expenditures	14,435,856
Change in fund balance	1,880,430
Fund Balance:	
Beginning of year	31,528,345
End of year	$ 33,408,775

See accompanying Notes to Fund Financial Statements.

NOTES TO THE FUND FINANCIAL STATEMENTS

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City of Stockton
Measure M Strong Communities Fund
Notes to the Fund Financial Statements
For the Year Ended June 30, 2023

Note 1 – Definition of the Fund

On November 8, 2016, the people of the City of Stockton (the "City") approved the Strong Communities Initiative ("Measure M"), which authorized the City of Stockton Special Library and Recreation Transactions and Use Tax Ordinance (Ordinance No. 2016-06-07-1212). The original Ordinance is adopted by the Stockton City Council on May 24, 2016. An amended Ordinance was approved by the City Council on June 7, 2016. The Ordinance allows the City to implement a dedicated one-quarter (¼) cent special transaction and use tax for a period of 16 years for the restoration and expansion of library and recreation services.

The City established the Measure M Strong Communities Fund (the "Fund"), to account for the Measure M taxes collected and spent on library and recreation services. These operations constitute part of the overall financial reporting entity of the City and are accounted for as a special revenue fund in accordance with generally accepted accounting principles within the City's annual comprehensive financial report. The accounting policies of the Fund conform to the modified accrual basis of accounting.

These financial statements present only the Fund and do not present fairly the financial position of the City as of June 30, 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements present only information pertain to the Fund and are not intended to present the financial position, and changes in financial position of the City in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as U.S. GAAP. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

B. Measurement Focus and Basis of Accounting

In the accompanying financial statements, the Fund is presented using the "*current financial resources*" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance present increases (revenues) and decrease (expenditures) in net current assets.

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 estimated, or otherwise determined. Available means the funds are collectible within 90 days after year-end. Expenditures are generally recognized when the related liability is incurred.

City of Stockton
Measure M Strong Communities Fund
Notes to the Fund Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

D. Cash and Investments

All cash and investments reported in the Fund are accounted for by the City. For further information, please refer to Note 1 – Summary of Significant Accounting Policies in the City's annual comprehensive financial report.

E. Receivables

Revenues are recorded when received in cash, except revenues subject to accrual (up to 90 days after year-end) are recognized when due. The primary revenue source of the Fund is transactions and use tax collected through the State of California Department of Tax and Fee Administration.

F. Classification of Fund Balance

All fund balance in the Fund are nonspendable and restricted.

Nonspendable – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, deposits and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the Fund. As a result, these restrictions have been classified as restricted for library and recreation.

Other types of fund balance that are not applicable to the Fund are described below:

Committed – This amount indicates the portion of fund balances which can only be used for specific purposes under formal resolution or ordinance of the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

Assigned – Amounts that have been allocated by action of an official authorized by the Stockton City Council in which the City's intent is to use the funds for a specific purpose. The City considers this level of authority to be the City Manager of the City of Stockton.

Unassigned – Amounts that constitute the residual balances that have no restrictions placed upon them. If restrictions exceed available resources at the end of the year, the deficit amounts are reported and classified as unassigned.

City of Stockton
Measure M Strong Communities Fund
Notes to the Fund Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Spending Policy

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is first to expend restricted fund balances, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned depending on the nature of the expenditure.

Note 3 – Cash and Investments

The Fund's share of the City's cash and investments at June 30, 2023 was $31,008,588.

Cash is deposited in the City's internal investment pool, which is reported at the amortized cost. The Fund does not own specifically identifiable securities in the City's pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Fund are those of the City and are included in the City's basic financial statements. Please refer to the City's annual comprehensive financial report for related disclosures for cash and investments.

Note 4 – Due From Other Governments

Due from other governments consists of retail transactions and use tax due from the State of California Department of Tax and Fee Administration. At June 30, 2023, the amount due from the State of California Department of Tax and Fee Administration was $2,682,599.

Note 5 – Commitments and Contingencies

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will not materially affect the financial statements of the Fund as of June 30, 2023.

Commitments

In addition to library and recreation operations, Strong Communities funds are being used for capital projects expanding or improving library and recreation facilities. The capital appropriations outstanding as of June 30, 2023 were $12,123,912 for eight projects. The largest project underway, with an outstanding appropriation of $4,464,768 is allocated toward the renovation of the Cesar Chavez Library for life safety upgrades and to make the building more accessible and inviting to the community. A new library and recreation facility in Northeast Stockton is also under construction with an outstanding balance of $3,660,669. $1,190,658 is appropriated to renovate the Victory Park Pool and $1,500,000 is appropriated to renovate the Oak Park Pool. The McKinley Park renovation project has a balance of $1,121,481. In addition, $85,529 is appropriated to complete renovations at the Stockton Soccer Complex, $59,500 is appropriated to install UV sterilization systems at pools, and $41,307 is appropriated to complete fencing and gate upgrades for improved security at the McNair Soccer Complex.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of Stockton
Measure M Strong Communities Fund
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2023

1. Budgetary Information

Budget Process

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. Total Appropriations shall not exceed the total of estimated revenues, estimated unencumbered balances of funds to be carried over from the preceding year and unencumbered available fund balances. Prior to July 1, the original adopted budget is legally enacted through the passage of a resolution by the City Council. In the event this does not occur, the City Manager's draft budget is in force until a budget is adopted by the City Council.

If expenditures exceed appropriations at the department level for the General Fund or at the fund level for all other funds, Council approval must be obtained to amend the budget. The City Manager is authorized to transfer budgeted amounts between line items within a General Fund department and within a fund for all other funds. During the year, the City Council approves supplemental appropriations and, by resolution, has also authorized the City Manager to transfer fund balances to applicable appropriation accounts, or to transfer between funds, when necessary to continue purposes approved by the City Council in the current year, adopted budget, or subsequent action. Amounts reported as final budget in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – On a Budgetary Basis include amendments authorized throughout the year.

All unencumbered appropriations lapse at year-end, with the exception of ongoing capital improvement projects and miscellaneous grants in the respective funds. Encumbered appropriations are re-appropriated in the following year's budget.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting, which is different from accounting principles generally accepted in the United States of America (GAAP).

The statements of revenue, expenditures and changes in fund balances have been prepared on the modified accrual basis of accounting in accordance with GAAP. The schedules of revenues, expenditures and changes in fund balances – budget and actual – on a budgetary basis have been prepared on the budgetary basis, which is different from GAAP.

The variations from GAAP that are for budgetary purposes include the following:

- Outstanding commitments relating to construction contracts and other purchases of goods and services are recorded as expenditures at the time contracts or purchase agreements are entered into. Under GAAP, these obligations are recognized when goods are received or services are rendered.

- The write-off uncollectable accounts receivables is not recognized as an expenditure. Under GAAP, these write-offs are recognized as expenditures when the accounts receivables are determined to be uncollectable.

City of Stockton
Measure M Strong Communities Fund
Required Supplementary Information (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2023

1. Budgetary Information (Continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes:				
Sales - levied by City	$ 14,027,000	$ 14,027,000	$ 16,551,044	$ 2,524,044
Interest income (loss)	-	-	(234,758)	(234,758)
Total revenues	14,027,000	14,027,000	16,316,286	2,289,286
Expenditures:				
Current:				
Library	4,471,381	4,466,089	2,892,739	1,573,350
Recreation programs	6,238,267	6,699,620	4,821,876	1,877,744
Capital outlay	5,350,000	8,600,753	6,721,241	1,879,512
Total expenditures	16,059,648	19,766,462	14,435,856	5,330,606
Changes in fund balance	$ (2,032,648)	$ (5,739,462)	1,880,430	$ 7,619,892
Fund Balance (GAAP Basis):				
Beginning of year			31,528,345	
End of year			$ 33,408,775	
Basis Adjustment:				
Changes in fund balances - GAAP basis			$ 1,880,430	
Encumbrances			(411,140)	
Changes in fund balances - Budget basis			1,469,290	
Fund Balance (Budgetary Basis):				
Beginning of year			31,528,345	
End of year			$ 32,997,635	