

The Measure W Public Safety Tax Fund of the City of Stockton

Stockton, California

Independent Auditors' Reports and Financial Schedule

For the Year Ended June 30, 2013 and 2012

City of Stockton
Measure W Public Safety Tax Fund
For the Year Ended June 30, 2013 and 2012

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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 Schedule

We have audited the financial schedule of the Measure W Public Safety Fund (Fund) of the City of Stockton, which comprise the schedule of revenues, expenditures and change in fund balance (financial schedule) for the years ended June 30, 2013 and 2012 and the related notes to financial schedule.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial schedule 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 statements 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 schedule 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedule, 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 schedule 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 schedule.

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 schedule referred to above presents fairly, in all material respects, the revenues, expenditures and changes in fund balance of the Fund of the City of Stockton, for the years ended June 30, 2013 and 2012 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 schedule 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 changes in financial position of the City for the years ended June 30, 2013 and 2012 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 May 15, 2014, 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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Walnut Creek, California
May 15, 2014

City of Stockton
Measure W Public Safety Tax Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
For the Years Ended June 30, 2013 and 2012

	2013			2012		
	Police	Fire	Total	Police	Fire	Total
REVENUES:						
Taxes:						
Sales - levied by City	\$ 4,542,948	\$ 4,542,948	\$ 9,085,896	\$ 4,288,213	\$ 4,288,212	\$ 8,576,425
Investment income:						
Interest income	(1,811)	(1,765)	(3,576)	266	1,128	1,394
Refunds and reimbursements	-	-	-	-	-	-
Total revenues	4,541,137	4,541,183	9,082,320	4,288,479	4,289,340	8,577,819
EXPENDITURES - PUBLIC SAFETY:						
Payroll:						
Salaries	1,842,071	2,116,916	3,958,987	1,934,617	1,932,827	3,867,444
Benefits	1,288,533	1,505,584	2,794,117	1,490,641	1,590,918	3,081,559
Total payroll	3,130,604	3,622,500	6,753,104	3,425,258	3,523,745	6,949,003
Products and services purchased:						
Tax collection fee	90,250	90,250	180,500	81,265	81,265	162,530
Sales tax review services	229	229	458	228	228	456
Liability insurance	81,153	93,107	174,260	63,379	64,902	128,281
Vehicle rental charges	425,756	68,170	493,926	348,687	60,284	408,971
Radio rentals	-	-	-	39,893	-	39,893
Fuel charges	138,963	9,860	148,823	198,848	8,552	207,400
Total product and services purchased	736,351	261,616	997,967	732,300	215,231	947,531
Total expenditures	3,866,955	3,884,116	7,751,071	4,157,558	3,738,976	7,896,534
NET CHANGE IN FUND BALANCES	674,182	657,067	1,331,249	130,921	550,364	681,285
FUND BALANCES, BEGINNING OF YEAR	343,244	606,540	949,784	212,323	56,176	268,499
FUND BALANCES, END OF YEAR	\$ 1,017,426	\$ 1,263,607	\$ 2,281,033	\$ 343,244	\$ 606,540	\$ 949,784

See accompanying notes to financial schedule.

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City of Stockton
Measure W Public Safety Tax Fund
Notes to Financial Schedule
For the Years Ended June 30, 2013 and 2012

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. This financial schedule is intended to present only the revenues, expenditures and changes 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 changes 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 schedule 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 for maintaining 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.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULE 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 schedule of revenues, expenditures and changes in fund balance (financial schedule) of the Measure W Public Safety Tax Fund (Fund) of the City of Stockton (City), for the year ended June 30, 2013, and have issued our report thereon dated May 15, 2014. Our report contained an explanatory paragraph describing that the schedule only presents the revenues, expenditures and changes 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 schedule, 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 schedule, 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 schedule 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 schedule is 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 schedule 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*.

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

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California
May 15, 2014