

**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, 2020 and 2019



City of Stockton
Measure W Public Safety Tax Fund
For the Years Ended June 30, 2020 and 2019

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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 (the "Fund") of the City of Stockton, California (the "City") which comprise the schedules of revenues, expenditures and change in fund balance (the "Financial Schedules") for the years ended June 30, 2020 and 2019 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.

Auditors' 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, 2020 and 2019 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
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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 as of June 30, 2020 and 2019, nor the change in financial position of the City for the years 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.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, 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 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.

A handwritten signature in black ink that reads "The Pen Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
December 8, 2020

City of Stockton
Measure W Public Safety Tax Fund
Schedules of Revenues, Expenditures, and Change in Fund Balance
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Police	Fire	Total	Police	Fire	Total
REVENUES:						
Taxes:						
Sales - levied by City	\$ 5,688,479	\$ 5,688,479	\$ 11,376,958	\$ 5,830,051	\$ 5,830,050	\$ 11,660,101
Investment (expense) income:						
Interest (expense) income	78,870	83,128	161,998	54,346	42,052	96,398
Total revenues	<u>5,767,349</u>	<u>5,771,607</u>	<u>11,538,956</u>	<u>5,884,397</u>	<u>5,872,102</u>	<u>11,756,499</u>
EXPENDITURES - PUBLIC SAFETY:						
Payroll:						
Salaries	2,440,204	2,492,709	4,932,913	2,424,047	2,475,473	4,899,520
Benefits	2,165,025	2,204,039	4,369,064	2,072,750	2,207,040	4,279,790
Total Payroll	<u>4,605,229</u>	<u>4,696,748</u>	<u>9,301,977</u>	<u>4,496,797</u>	<u>4,682,513</u>	<u>9,179,310</u>
Equipment, services and supplies:						
Tax collection fee	113,421	113,420	226,841	123,415	123,415	246,830
Sales Tax Review Service	2,029	2,029	4,058	3,944	3,944	7,888
Liability Insurance	128,349	130,247	258,596	109,339	111,801	221,140
Vehicle rental charges	275,254	203,529	478,783	272,849	178,793	451,642
Radio rental charges	44,672	23,992	68,664	52,640	21,475	74,115
Materials and Services	18,330	12,937	31,267	74,464	107,950	182,414
Fuel Charges	75,302	8,657	83,959	-	3,562	3,562
Capital outlay/equipment	-	258,449	258,449	-	14,031	14,031
Total equipment, services and supplies	<u>657,357</u>	<u>753,260</u>	<u>1,410,617</u>	<u>636,651</u>	<u>564,971</u>	<u>1,201,622</u>
Total expenditures	<u>5,262,586</u>	<u>5,450,008</u>	<u>10,712,594</u>	<u>5,133,448</u>	<u>5,247,484</u>	<u>10,380,932</u>
NET CHANGE IN FUND BALANCES	504,763	321,599	826,362	750,949	624,618	1,375,567
FUND BALANCES, BEGINNING OF YEAR	2,356,277	2,308,936	4,665,213	1,605,328	1,684,318	3,289,646
FUND BALANCES, END OF YEAR	<u>\$ 2,861,040</u>	<u>\$ 2,630,535</u>	<u>\$ 5,491,575</u>	<u>\$ 2,356,277</u>	<u>\$ 2,308,936</u>	<u>\$ 4,665,213</u>

City of Stockton
Measure W Public Safety Tax Fund
Notes to the Financial Schedules
For the Years Ended June 30, 2020 and 2019

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, California (the “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 generally accepted accounting principles in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (the “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 of California Department of Tax and Fee Administration 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 share of total fund balance reduced by 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 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 (the "Financial Schedules") of the Measure W Public Safety Tax Fund (the "Fund") of the City of Stockton, California (the "City"), for the years ended June 30, 2020 and 2019, and have issued our report thereon dated December 8, 2020. 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 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.

Internal Control Over Financial Reporting

In planning and performing our audits 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.

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 audits 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.

To the Honorable Mayor and Members of the City Council
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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*

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. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Walnut Creek, California
December 8, 2020