

City of East Palo Alto

Measure C Fund

East Palo Alto, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2016

City of East Palo Alto
Measure C Public Safety and Crime Prevention Fund
Financial Statements
For the year ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, California

Report on Financial Statements

We have audited the accompanying financial statements of the Measure C Special Revenue Fund (Measure C) of the City of East Palo Alto, as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation of the 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 these financial statements based on our audit. 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. 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 statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing such 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 financial statement presentation.

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

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, California
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Opinion

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of the Measure C Special Revenue Fund at June 30, 2016 and the results of operations and changes in fund balance for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure C Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016 on our consideration of the City's internal control over 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 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 the City's internal control over financial reporting and compliance.



Badawi and Associates
Certified Public Accountants
Oakland, California
December 28, 2016

**City of East Palo Alto
Measure C Special Revenue Fund
Combined Balance Sheet
June 30, 2016**

	Special Revenue Funds		
	Public Safety Program	Violence Prevention Program	Total
ASSETS:			
Cash and investments	\$ 70,726	\$ 1,358,726	\$ 1,429,452
Accrued interest	214	2,680	2,894
Total assets	\$ 70,940	\$ 1,361,406	\$ 1,432,346
LIABILITIES AND FUND BALANCES:			
Accounts payable and accrued liabilities	\$ 17,650	\$ 9,640	\$ 27,290
Total liabilities	17,650	9,640	27,290
Fund Balances:			
Restricted	53,290	1,351,766	1,405,056
Total fund balances	53,290	1,351,766	1,405,056
Total liabilities and fund balances	\$ 70,940	\$ 1,361,406	\$ 1,432,346

See accompanying notes to the financial statements

City of East Palo Alto
Measure C Special Revenue Fund
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2016

	Special Revenue Funds		Total
	Public Safety Program	Violence Prevention Program	
REVENUES:			
Parcel Tax - Measure C	\$ 351,087	\$ 351,088	\$ 702,175
Interest income and Miscellaneous	607	13,500	14,107
Total revenues	351,694	364,588	716,282
EXPENDITURES:			
Programs			
Public Safety	303,627	-	303,627
Violence Prevention	-	367,921	367,921
Administration			
Public Safety	25,494	-	25,494
Violence Prevention	-	78,646	78,646
Total expenditures	329,121	446,567	775,688
REVENUES OVER (UNDER) EXPENDITURES	22,573	(81,979)	(59,406)
FUND BALANCES:			
Beginning of year	30,717	1,433,745	1,464,462
End of year	\$ 53,290	\$ 1,351,766	\$ 1,405,056

See accompanying Notes to Financial Statements.

City of East Palo Alto
Measure C Public Safety and Crime Prevention Fund
Notes to Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

All transactions of the Measure C Special Revenue Fund (Measure C Fund) of the City of East Palo Alto, California (City), are included as a separate special revenue fund in the basic financial statements of the City. Measure C Funds are used to account for the City's share of revenues earned and expenditures incurred under the City's Measure C. The accompanying financial statements are for the Measure C Fund only and are not intended to fairly present the financial position or results of operations of the City.

B. *Basis of Accounting and Measurement Focus*

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. *Fund Accounting*

The operations of the Measure C Fund are accounted for in separate special revenue funds. The fund is a separate accounting entity with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenses.

D. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

City of East Palo Alto
Measure C Public Safety and Crime Prevention Fund
Notes to Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS

Measure C funds are pooled with the City's cash and investments in order to generate optimum interest income.

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. The City invests in two external investment pools, the State of California Local Agency Investment Fund (LAIF) and the San Mateo County Investment Fund (County Pool). Information about the City's investments is included in the City's Comprehensive Annual Financial Report. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Measure C Funds had the following cash and investments at June 30, 2016:

Cash and Investments	<u>\$1,429,452</u>
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3. MEASURE C FUNDS

The City Council sponsored a special tax to fight crime through the community prevention and law enforcements programs. Under Measure C, the proceeds of the parcel tax are to be used for enhancing services and programs to prevent violence and crime in East Palo Alto. This measure was adopted with the intention that the funds generated by the parcel tax would raise revenue to retain and enhance services and programs to prevent violence and crime in the City.

As stated in Section 3 of the Measure, tax proceeds raised by this Ordinance may only be used as part of the following integrated programs of violence prevention and public safety intervention, in accordance with the following specific purposes:

- (1) Community and neighborhood policing, training, crime suppression and investigations.
- (2) Violence Prevention services with an emphasis on youth and families. Such services include preventive social services provided by the City of East Palo Alto or by adding capacity to community-based nonprofit programs with a focus on youth, ex-felons, domestic violence, and support for senior citizens.
- (3) Not less than 1% or more than 3% of funds appropriated to each police service or social service program shall be set aside for the purpose of independent evaluation of the program, including the number of people served and the rate of crime or violence reduction achieved.
- (4) Mandated apportionment of funds: Of the total proceeds spent on programs enumerated in this section 3, Paragraphs 1 and 2, not less than 50% of such proceeds shall be directed at violence prevention programs with emphasis on youth, ex-felons, and senior protection.

The City Council approved that 50% of Measure C funding is designated to the Police Department for Public Safety and the remaining 50% of funding is used for Crime Prevention Programs.

City of East Palo Alto
Measure C Public Safety and Crime Prevention Fund
Notes to Financial Statements
For the year ended June 30, 2016

3. MEASURE C FUNDS, Continued

A. Measure C Expenditures

<u>Expenditures:</u>	<u>Public Safety</u>	<u>Violence Prevention</u>	<u>Total</u>
Police Officer	\$ 204,429	\$ -	\$ 204,429
Community Officer	22,147	-	22,147
Code Enforcement	72,361	-	72,361
Measure C Coordinator	4,690	15,653	20,343
Bright Research Group, Inc. (program evaluation)	21,425	74,575	96,000
Program Award	-	352,268	352,268
Program audit	824	825	1,649
County of San Mateo Administration Fees (Measure C collection fees)	3,245	3,246	6,491
	<u>\$ 329,121</u>	<u>\$ 446,567</u>	<u>\$ 775,688</u>

B. Measure C Violence Prevention Program Award Expenditures

<u>Detail of Program Award Expenditures - Awardee</u>	<u>Amount</u>
Able Works Collaborative	\$ 53,900
Job Train Collaborative	71,228
YCS Re-entry Partners Collaborative	53,080
RCSD Collaborative	100,060
Bring me a Book	4,550
East Palo Alto Boxing Club	7,000
Free At Last	15,000
Media Center	5,350
MidPeninsula Athletic Association	5,000
New Creation Home Ministries	8,000
One East Palo Alto Neighborhood	15,000
Peninsula Volunteers, Inc.	14,100
	<u>\$ 352,268</u>



**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**

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, 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 basic financial statements of the Measure C Special Revenue Fund, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. 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 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.

To the Honorable Mayor and Members of the City Council
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East Palo Alto, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure C Special Revenue Fund financial statements 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 is 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. 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.



Badawi and Associates
Certified Public Accountants
Oakland, California
December 28, 2016