

CITY OF OAKLAND
Measure Y - Violence Prevention and
Public Safety Act of 2004
[A Fund of the City of Oakland]

Independent Auditor's Reports
and Budgetary Comparison Schedule

For the Year Ended June 30, 2007

CITY OF OAKLAND
Measure Y - Violence Prevention and Public Safety Act of 2004
[A Fund of the City of Oakland]
For the Year Ended June 30, 2007

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Honorable Mayor and Members
of the City Council
City of Oakland, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying budgetary comparison schedule (financial schedule) of the City of Oakland's (City) Measure Y - Violence Prevention and Public Safety Act of 2004 (Measure Y), a fund of the City, for the year ended June 30, 2007. This financial schedule is the responsibility of the City's management. Our responsibility is to express an opinion on this financial schedule 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 schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting as it pertains to the Measure Y activities. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial schedule was prepared to present the total revenues and expenditures of the Measure Y activities, as described in Note B, and do not purport to, and do not, present fairly the changes in the City's financial position for the year ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedule referred to above presents fairly, in all material respects, the revenues and expenditures of the Measure Y activities for the year ended June 30, 2007 in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007 on our consideration of City's internal control over financial reporting as it pertains to the Measure Y activities 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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


Certified Public Accountants
Walnut Creek, California

November 1, 2007

CITY OF OAKLAND
Measure Y - Violence Prevention and Public Safety Act of 2004
[A Fund of the City of Oakland]
Budgetary Comparison Schedule (on a Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:				
Parcel tax	\$ 12,512,430	\$ 12,512,430	\$ 12,384,982	\$ (127,448)
Parking tax surcharge	<u>7,701,338</u>	<u>7,701,338</u>	<u>7,309,906</u>	<u>(391,432)</u>
Total revenue	<u>20,213,768</u>	<u>20,213,768</u>	<u>19,694,888</u>	<u>(518,880)</u>
Expenditures:				
Salaries and employee benefits	13,770,259	14,248,939	10,222,518	4,026,422
Other supplies and commodities	574,062	1,144,564	282,032	862,532
Accounting and auditing services	30,000	30,000	21,318	8,682
Other contract services	<u>6,159,310</u>	<u>17,518,383</u>	<u>6,007,797</u>	<u>11,510,585</u>
Total expenditures	<u>20,533,631</u>	<u>32,941,886</u>	<u>16,533,665</u>	<u>16,408,221</u>
Change in fund balance, on a budgetary basis	<u>\$ (319,863)</u>	<u>\$(12,728,118)</u>	<u>3,161,223</u>	<u>\$ 15,889,341</u>
Items not budgeted:				
Charges for services			151,661	
Interest income			<u>492,969</u>	
Total items not budgeted			<u>644,630</u>	
Change in fund balance, on a GAAP basis			3,805,853	
Fund balance, beginning of year			<u>13,122,452</u>	
Fund balance, end of year			<u>\$ 16,928,305</u>	

The notes to the budgetary comparison schedule are an integral part of this schedule.

CITY OF OAKLAND
Measure Y - Violence Prevention and Public Safety Act of 2004
[A Fund of the City of Oakland]
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2007

NOTE A – DESCRIPTION OF REPORTING ENTITY

The Oakland City Council (the City Council) approved Resolution No. 78734 on July 20, 2004 submitting the Violence Prevention and Public Safety Act of 2004 – Measure Y (Measure Y) to the electors at the November 2, 2004 general election; making a determination with regard to the majority protest procedure for approval of the assessments; creating the Violence Prevention and Public Safety Oversight Committee; and approving, adopting, and levying the annual parcel tax and parking tax surcharge for Measure Y. The citizens of the City of Oakland (the City) approved Measure Y in November 2004.

The parcel tax is collected with the annual Alameda County property taxes, beginning on July 1, 2005. The annual parcel tax is levied to pay for all activities and services for Measure Y (see below) in accordance with the terms and conditions outlined in the approved ballot measure. Measure Y shall be in existence for a period of ten (10) years. Beginning in Fiscal Year 2004-2005, and each year thereafter, the City Council may increase the tax imposed based on the cost of living for the San Francisco Bay Area, as shown on the Consumer Price Index (CPI). The percentage increase of the tax shall not exceed such increase, using Fiscal Year 2003-2004 as the index year and in no event shall any adjustment exceed 5% (five percent).

Measure Y provides for the following services:

1. *Community and Neighborhood Policing* – Hire and maintain at least a total of 63 officers assigned to the following specific community- policing areas: neighborhood beat officers, school safety, crime reduction team, domestic violence and child abuse intervention, and officer training and equipment. For further detail of the specific community- policing areas see Oakland City Council Resolution No. 78734.
2. *Violence Prevention Services With an Emphasis on Youth and Children* – Expand preventive social services provided by the City of Oakland, or by adding capacity to community-based nonprofit programs with demonstrated past success for the following objectives: youth outreach counselors, after and in school program for youth and children, domestic violence and child abuse counselors, and offender/parolee employment training. For further detail of the social services see Oakland City Council Resolution No. 78734.
3. *Fire Services* – Maintain staffing and equipment to operate 25 (twenty-five) fire engine companies and 7 (seven) truck companies, expand paramedic services, and establish a mentorship program at each station with an amount not to exceed \$4,000,000 annually from funds collected under Measure Y.
4. *Evaluation* – Not less than 1% or no 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.
5. *Mandated Apportionment to Social Services Programs* – Of the total proceeds spent on programs enumerated in the *Community and Neighborhood Policing* and the *Violence Prevention Services With an Emphasis on Youth and Children* sections above, no less than 40% of such proceeds must be allocated to programs enumerated in the *Violence Prevention Services With an Emphasis on Youth and Children* section each year Measure Y is in effect.

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Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial schedule presents only the revenues and expenditures of the Measure Y activities and does not purport to, and does not, present fairly the changes in the City's financial position for the year ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

A special revenue fund (governmental fund) is used to account for the City's Measure Y activities. The measurement focus is based upon the determination of changes in financial position rather than upon the determination of net income. A special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

In accordance with the provisions of the City Charter, the City adopts an annual budget for the Measure Y activity, which must be approved through a resolution by the City Council. The budget for Measure Y is prepared on a modified accrual basis.

The Measure Y activity is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined, and "available" means that revenues are collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual include the parcel tax and parking tax surcharge. The City considers the parcel tax revenues and the parking tax surcharge revenues to be available for the year levied and if they are collected within 60 and 120 days, respectively, of the end of the current year. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE C - BUDGET

The Measure Y – Violence Prevention and Public Safety Act of 2004, as approved by the voters in November 2004, requires the adoption of an annual budget, which must be approved by the City Council of the City. The City budgets annually for the Measure Y activities. The budget is prepared on the modified accrual basis, except that the City does not budget for charges for services or investment earnings on Measure Y investments.

Budgetary control is maintained at the fund level. Line item reclassification amendments to the budget may be initiated and reviewed by the City Council, but approved by the City Administrator. Any shifting of appropriations between separate funds must be approved by the City Council. Annual appropriations for the budget lapse at the end of the fiscal year to the extent that they have not been expended. At year-end, unobligated appropriations may lapse and remain within the authorized program.

Supplemental budgetary changes made to Measure Y throughout the year, if any, are reflected in the "final budget" column of the accompanying budgetary comparison schedule.



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The Honorable Mayor and Members
of City Council
City of Oakland, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF A FINANCIAL SCHEDULE PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the accompanying budgetary comparison schedule (financial schedule) of the City of Oakland's (City) Measure Y - Violence Prevention and Public Safety Act of 2004 (Measure Y), a fund for the City, for the year ended June 30, 2007, and have issued our report thereon dated November 1, 2007. 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, we considered the City's internal control over financial reporting as it pertains to the Measure Y activities, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedule but not for the purpose of expressing an opinion on the effectiveness of the Measure Y internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Measure Y internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements schedule that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial schedule is free of 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*.

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


Certified Public Accountants
Walnut Creek, California

November 1, 2007