OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT

Independent Accountants' Report
and Budgetary Comparison Schedule
for the year ended June 30, 2011

Yano Accountancy Corporation

OAKLAND WILDFIRE PREVENTION DISTRICT
for the year ended June 30, 2011

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Yano Accountancy Corporation

Independent Accountants' Report

Citizens' Advisory Committee
Oakland Wildfire Prevention Assessment District
City of Oakland, California

We have audited the accompanying budgetary comparison schedule (financial schedule) of the Oakland Wildfire Prevention Assessment District (the District), an activity of the City of Oakland (the City), for the year ended June 30, 2011. 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 District. 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 District's activities on the budgetary basis, 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, 2011 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedule referred to in the first paragraph presents fairly, in all material respects, the revenues and expenditures of the District for the year ended June 30, 2011, 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 15, 2011 on our consideration of the City's internal control over financial reporting as it pertains to the District 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.

Yano Accountancy Corporation

Oakland, California
November 15, 2011

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE (ON A BUDGETARY BASIS)
for the year ended June 30, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues and transfers:				
Special assessments	$ 1,699,072	$ 1,547,917	$ 1,602,764	$ 54,847
Transfers – public properties	-	151,155	151,155	-
Total revenues and transfers	1,699,072	1,699,072	1,753,919	54,847
Expenditures:				
Goat grazing	365,000	365,000	365,770	(770)
Yard waste disposal	80,000	105,000	96,159	8,841
Vegetation management	1,000,000	975,000	898,381	76,619
Fire prevention education and training	137,000	137,000	121,331	15,669
Roving fire patrol	25,000	25,000	-	25,000
Support services for inspection program	35,000	35,000	14,335	20,665
Administrative expenses	122,122	122,122	49,550	72,572
Total expenditures	1,764,122	1,764,122	1,545,526	218,596
Designated reserves:				
FEMA matching grant	300,000	300,000	-	300,000
Chabot Space & Science Center Wildfire Prevention Project	171,000	171,000	-	171,000
Skyline Median Project	4,000	4,000	-	4,000
Total reserves	475,000	475,000	-	475,000
Change in fund balance on a budgetary basis	$ (540,050)	$ (540,050)	$ 208,393	$ 748,443
Item not budgeted – interest income			3,768	
Change in fund balance after adjustment for item not budgeted			212,161	
Fund balance, beginning of year			1,199,397	
Fund balance, end of year			$ 1,411,558	

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
Notes to Budgetary Comparison Schedule
for the year ended June 30, 2011

Note A – Description of Reporting Entity

The Oakland City Council (City Council) approved Resolution No. 78305 on January 20, 2004 establishing the Oakland Wildfire Prevention Assessment District (District); accepting and granting final approval of the Engineer's Report; making a determination with regard to the majority protest procedure for approval of the assessments; creating the District Advisory Board; and approving, adopting, and levying the annual special assessment for the District. Beginning on July 1, 2004, the assessment shall be attached to the property for private property owners, and collected with the annual Alameda County property taxes. For public-owned properties, staff receives the assessment from the contracted engineering firm, then bills the public entities for collections. The annual assessment is levied to pay for all activities and services for the District in accordance with the terms and conditions outlined in the Engineer's Report. Non-program administrative expenses are limited to 5% of the District's annual budget. The District shall be in existence for a period of ten (10) years during which time no increase in the amount of the assessment on each property shall be allowable without further protest procedure and action by City Council unless there is a change in the use or classification of the property as provided for in the Engineer's Report.

The District is governed by the City Council, which appoints the members of the Citizens' Advisory Committee (the CAC) and, as such, is an integral part of the City of Oakland's (the City) basic financial statements. The District is presented as part of the Assessment Districts Special Revenue Fund in the City's basic financial statements.

The District provides for the following services:

Goat Grazing – This program utilizes herds of goats to clear the excess brush that allows fires to spread rapidly. The goats remove vegetation from the large public open space areas within the District's boundaries.

Vegetation Management – Private contractors and City crews provides the District's vegetation reduction and management programs where the goats are not able to graze. This includes open space and canyon hill parcels, firebreaks and roadside clearance along public streets, and evacuation routes within the District. Additionally, fire companies and vegetation management inspectors annually inspect District properties to identify those that are in violation of the Oakland Fire Code. The inspectors notify non-compliant property owners and after conducting re-inspections, non-compliant property owners are charged the cost of having contractors bring the private property back into compliance.

Property Owner Chipping Services – This program assists private property owners by providing a convenient way to dispose of tree branches, brush and other yard waste that can fuel fires. The District provides crews to process private property owners' yard waste into wood chips or mulch for the owners' use, or provide other means of disposal.

Fire Prevention Education and Training – Public Outreach staff provides special training to District neighborhoods and schools, to assist in preventing fires, defensible space planning and planning safe evacuation routes in the event of a fire.

Roving Fire Patrols – This program provided additional fire patrols to monitor properties within the boundaries of the District during high fire hazard days to monitor, correct, and report potential fire hazards to the Fire Department.

Note B – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial schedule presents only the revenues and expenditures of the District's 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, 2011, in conformity with accounting principles generally accepted in the United States of America.

A special revenue fund (governmental fund) is used by the City to report the District's 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

The CAC is responsible for the preparation of the annual budget for the District. The CAC submits the proposed budget to the City Council for approval, in accordance with the provisions of the City Charter. The budget for the District is prepared on a modified accrual basis, except the District does not budget for investment earnings and other smaller one-time sources of revenues and expenditures.

Except for the goat grazing expenditures, the District 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 collectible within 60 days of year-end. Revenues susceptible to accrual include special assessments. Expenditures other than goat grazing expenditures are recorded when a liability is incurred, as under modified accrual accounting, The goat grazing expenditures are budgeted and recorded as of the end of the fire season,due to the seasonality of those costs.

Special Assessments

For privately owned properties, the County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling State law, and for remitting such amounts to the District. Special assessments are assessed and levied as of January 1, on all taxable property located in the City, and result in a lien on real property. Special assessments are then due in two equal installments, the first on November 1 and the second on February 1, of the following calendar year, and are delinquent after December 10 and April 10, respectively. For publicly owned properties, the engineering firm provides the assessment to City staff to bill the public entities, and City staff collects the payments.

Reserves

Reserves can be designated by the District or undesignated. Designated reserves are resources received by the District that have no limitations or stipulations placed on them by external agencies or council but are internally restricted by the District Advisory Committee for a specific purposes or projects.

Undesignated reserves are considered unrestricted by the District and will be used where the needs are most urgent.

Use of Estimates

The preparation of financial statements 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

State law requires the adoption of an annual budget, which must be approved by the CAC of the District. The City budgets annually for the District's activities. The budget is prepared on the modified accrual basis, except the District does not budget for investment earnings and other smaller one-time sources of revenues and expenditures.

Budgetary control is maintained at the fund level. Line item reclassification amendments to the budget, reallocation of funds in program areas and prior year unspent fund balances net of all commitments may be initiated, reviewed and adopted by the CAC per Resolution No. 79185, dated May 3, 2005. Any shifting of appropriations between separate funds must be approved by the City Council. Expenditures are monitored by managers who are assigned responsibility for controlling their budgets and reported to the CAC on a monthly basis. Annual appropriations for the operating 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 are made to the District's fund throughout the year and, if any, are reflected in the "final budget" column of the accompanying budgetary comparison schedule.

Note D – Transactions With the City of Oakland

The District receives assessment revenues from the City of Oakland. In addition, the City provides and incurs certain expenses for the benefit of the District; such expenses are included in fire prevention and education, roving fire patrol, support services for inspection program, and administrative expenses. The following are the District's total assessment revenues and total expenses incurred by the City for the benefit of the District:

Total District assessment revenues from the City	$ 151,155
Total expenses incurred by the City for the benefit of the District	$ 136,885

Independent Accountants' 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*

Citizens' Advisory Committee
Oakland Wildfire Prevention Assessment District
City of Oakland, California

We have audited the budgetary comparison schedule (financial schedule) of the Oakland Wildfire Prevention Assessment District (the District), an activity of the City of Oakland (the City), for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2011 included an explanatory paragraph describing the basis of accounting and the presentation of the financial schedule. 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 District 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting as it pertains to the District.

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 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 schedule 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 and its operation that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 Citizens' Advisory Committee of the District, the City's Mayor and City Council, and the City's Management and is not intended to be and should not be used by anyone other than these specified parties.

Yano Accountancy Corporation

Oakland, California
November 15, 2011