

**OAKLAND WILDFIRE PREVENTION
ASSESSMENT DISTRICT**

Independent Auditor's Reports and
Budgetary Comparison Schedule

For the Year Ended June 30, 2007

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
For the Year Ended June 30, 2007

Table of Contents

	<i>Page(s)</i>
Independent Auditor's Report	1 - 2
Financial Schedule:	
Budgetary Comparison Schedule (On a Budgetary Basis)	3
Notes to Budgetary Comparison Schedule	4 - 6
Other Report:	
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 <i>Government Auditing Standards</i>	7 - 8



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

INDEPENDENT AUDITOR'S REPORT

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, 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 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, 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, 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 in the first paragraph presents fairly, in all material respects, the revenues and expenditures of the District 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 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.

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

Macias Gini & Connell LLP
Certified Public Accountants
Walnut Creek, California

November 1, 2007

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT

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:				
Special assessments	<u>\$ 1,788,275</u>	<u>\$ 1,788,275</u>	<u>\$ 1,564,605</u>	<u>\$ (223,670)</u>
Expenditures:				
Goat grazing	265,000	265,000	183,210	81,790
Yard waste disposal	100,000	100,000	22,000	78,000
Vegetation management	1,125,000	1,125,000	1,279,184	(154,184)
Fire prevention education and training	120,000	120,000	125,464	(5,464)
Roving fire patrol	40,000	40,000	10,302	29,698
Support services for inspection program	-	28,425	28,425	-
Administrative expenses	<u>75,000</u>	<u>75,000</u>	<u>44,026</u>	<u>30,974</u>
Total expenditures	<u>1,725,000</u>	<u>1,753,425</u>	<u>1,692,611</u>	<u>60,814</u>
Reserves:				
Operating reserves	<u>94,512</u>	<u>94,512</u>	<u>-</u>	<u>94,512</u>
Change in fund balance, on a budgetary basis	<u><u>\$ (31,237)</u></u>	<u><u>\$ (59,662)</u></u>	<u>(128,006)</u>	<u><u>\$ (68,344)</u></u>
Items not budgeted:				
Service fees			(1,376)	
Transfers: public properties			<u>148,455</u>	
Total items not budgeted			<u>147,079</u>	
Change in fund balance, on a GAAP basis			19,073	
Fund balance, beginning of year			<u>196,405</u>	
Fund balance, end of year			<u><u>\$ 215,478</u></u>	

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

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT

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. 78305 on January 20, 2004 establishing the Oakland Wildfire Prevention Assessment District (the 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, and collected with the annual Alameda County property taxes. The annual assessment will be 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 shall be 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 Citizen's Advisory Board, which is appointed by the City Council and, as such, is an integral part of the City of Oakland's (the City's) 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 – Utilize 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 would provide 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 will notify non-compliant property owners and after conducting re-inspections, non-compliant property owners will be charged the cost of having contractors bring the private property back into compliance.

Yard Waste Disposal – 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 will provide crews to process private property owners' yard waste into wood chips or mulch for the owners' use, or provide other means of disposal.

CORE Training and Fire Prevention Education – Citizens of Oakland Respond to Emergencies (CORE) will provide special training to District neighborhoods and schools, assist in preventing fires, and planning safe evacuation routes in the event of a fire.

Roving Fire Patrols – This program will provide 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.

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT

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 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, 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 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 Citizen's Advisory Board is responsible for the preparation of the annual budget for the District. The Citizen's Advisory Board submits the 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.

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 are recorded when a liability is incurred, as under accrual accounting.

Special Assessments

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.

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.

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT

Notes to Budgetary Comparison Schedule

For the Year Ended June 30, 2007

NOTE C - BUDGET

State law requires the adoption of an annual budget, which must be approved by the Citizens' Advisory Committee 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 may be initiated and reviewed by the Citizens' Advisory Committee, but approved by the City Administrator. 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. 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.



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**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 budgetary comparison schedule (financial schedule) of the Oakland Wildfire Prevention Assessment District (the District), as part of the Assessment Districts Special Revenue Fund of the City of Oakland (the City), for the year ended June 30, 2007, and have issued our report thereon November 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 District's internal control over financial reporting 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 District's 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.

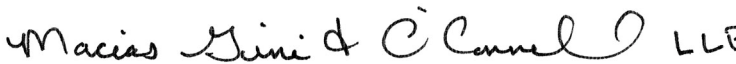
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control

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 disclose 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 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 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.


Certified Public Accountants
Walnut Creek, California

November 1, 2007