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**CITY OF OAKLAND**  
*AGENDA REPORT*

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Finance and Management Agency  
DATE: March 10, 2009

RE: **Informational Report presenting the Measure Y – Violence Prevention & Public Safe Act of 2004 Audit Report and The Oakland Wildfire Prevention Assessment District Audit Report**

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**SUMMARY**

The Finance and Management Agency is pleased to present to the City Council the attached Measure Y – Violence Prevention & Public Safety Act of 2004 Audit Report and the Oakland Wildfire Prevention Assessment District Audit Report. A discussion of key audit findings and corrective measures is presented in the “Key Issues and Impacts” section.

**FISCAL IMPACT**

This is an informational report only; there is no fiscal impact.

**BACKGROUND**

Passed by Oakland voters on November 2, 2004, Measure Y provides approximately \$20 million every year for ten years to fund violence prevention programs, additional police officers, and fire services. Measure Y funds are generated through a new parcel tax along with a parking surcharge in commercial lots. In accordance with Government Code sections 50075.1 and 50075.3(a), and City of Oakland Resolution No. 78734 C.M.S., an independent audit shall be performed to assure accountability and the proper disbursement of the proceeds of the tax. A report regarding the status of Measure Y projects will be submitted as soon as is practicable.

On January 20, 2004, the City Council approved Resolution No. 78305 C.M.S. establishing the Oakland Wildfire Prevention Assessment District. The District provides for Goat Grazing, Vegetation Management, Yard Waste Disposal, Roving Fire Patrols and Citizens of Oakland Response to Emergencies (CORE).

The City hired the following firms to perform the attached audits: Patel & Associates, an independent accounting firm and subcontractor, performed the Measure Y – Violence Prevention and Public Safe Act of 2004 audit; Macias, Gini, & O’Connell LLP, an independent accounting

Item: \_\_\_\_\_  
Public Safety Committee  
March 10, 2009

firm and primary contractor for the City's fiscal year 2008 audits, performed the audit of the Oakland Wildfire Prevention Assessment District.

## **KEY ISSUES AND IMPACTS**

### **The Measure Y – Violence Prevention and Public Safety Act of 2004 Audit Report:**

The Measure Y audit report provides an opinion as to whether the financial schedule for revenues and expenditures fairly presents, in all material respects, Measure Y activities, in conformity with United States generally accepted accounting principles, and in compliance with the purposes for which Measure Y was approved by the voters.

a. Schedule of Findings and Responses to Findings

The auditors identified one instance where Oakland Police Department (OPD) retroactively charged Measure Y with Field Training Officer's (FTO) salaries for prior years.

The auditors also identified a few errors in the calculation of allocation of Academy charges. These adjustments occurred as a result of lack of standard procedures for tracking and monitoring the charges.

b. Management Response

OPD concurs that the Field Training Officers salaries should be charged in a timely manner and not be done retroactively.

The error in the calculation of allocation of Academy charges was due to an overlap of the 158<sup>th</sup> and 159<sup>th</sup> Academies. As a result, charges were counted twice and Measure Y was credited twice. The over-credit to Measure Y has been reversed.

In order to mitigate these instances in the future, OPD has prepared and implemented standard procedures for tracking and monitoring the charges associated with the training of newly hired police officers.

c. Conclusion

The Measure Y audit disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Oakland Wildfire Prevention Assessment District Audit Report**

The Wildfire audit report provides an opinion as to whether the budgetary comparisons schedule presents fairly, in all material respects, the revenues and expenditures of the District, in conformity with United States generally accepted accounting principles, and in compliance with the purposes for which the Assessment District was approved by the voters.

a. Schedule of Findings and Responses

No matters were reported

b. Conclusion

The Wildfire Prevention Assessment District Audit Report disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**SUSTAINABLE OPPORTUNITIES**

No environmental, economic, or social equity opportunities have been identified.

**DISABILITY AND SENIOR CITIZEN ACCESS**

There are no ADA or senior access issues contained in this report.

**RECOMMENDATION(S) AND RATIONALE**

Staff recommends that the City Council accept the Measure Y – Violence Prevention and Public Safety Act of 2004 Audit Report and the Oakland Wildfire Prevention Assessment District Audit Report.

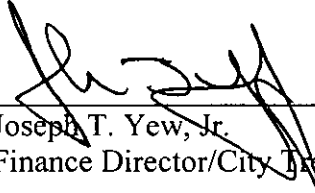
Dan Lindheim

Re: FMA-Measure Y –Audit Report and Oakland Wildfire Prevention Assessment District  
Audit Report

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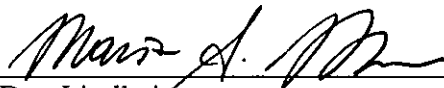
**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council accept the Measure Y – Violence Prevention and Public Safety Act of 2004 Audit Report and the Oakland Wildfire Prevention Assessment District Audit Report.

  
\_\_\_\_\_  
Joseph T. Yew, Jr.  
Finance Director/City Treasurer

Prepared by:  
Osborn Solitei, Acting Controller  
Finance and Management Agency

APPROVED AND FORWARDED TO THE  
PUBLIC SAFETY COMMITTEE:

*for*   
\_\_\_\_\_  
Dan Lindheim  
Office of the City Administrator

Attachments:

Measure Y – Violence Prevention and Public Safety Act of 2004 Audit Report  
Oakland Wildfire Prevention Assessment District Audit Report  
Management Letter(s)

Item # \_\_\_\_\_  
Public Safety Committee  
March 10, 2009

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

In planning and performing our audit of the 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, 2008, we considered Measure Y's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial schedule and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 1, 2008 on the financial schedule of Measure Y.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the City's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

**ALLOCATION OF CHARGES BY OAKLAND POLICE DEPARTMENT**

***Finding:***

During our audit, we noticed that there were some adjustments done for the prior years' expenses. In one instance, Oakland Police Department (OPD) charged Measure Y with Field Training Officer's (FTO) salaries for prior years. On our inquiry, we were informed that OPD missed to charge FTO's salaries to Measure Y in the prior years and during the year, when they became aware of this, they charged Measure Y for the prior year charges.

During our review of the allocation procedure, we also noticed that there were few errors in the calculation of allocation of Academy charges.

These adjustments occurred as a result of lack of standard procedures for tracking and monitoring the charges.

***Recommendation:***

We recommend that OPD prepare and implement standard procedures for tracking and monitoring the Academy charges so that the same can be allocated to Measure Y correctly in the appropriate year.

***Response:***

OPD concurs that the Field Training Officers salaries associated with the training of newly-hired police officers was not charged to Measure Y when Measure Y benefited from the hiring of the police officers. Once OPD identified this, the Department charged Measure Y accordingly.

With reference to the error in the calculation of allocation of Academy charges, this was an oversight when determining the charges owed to Measure Y due to the 158th and 159th academies not receiving the benefit of any Measure Y Officers. The academies overlapped so charges were counted twice and Measure Y was credited twice. The over-credit to Measure Y has been reversed.

In order to mitigate these instances in the future, OPD has prepared and implemented standard procedures for tracking and monitoring the charges associated with the training of newly-hired police officers.

This communication is intended solely for the information and use of 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.

*Patricia A. Assouline*

Oakland, California  
December 1, 2008

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

**Independent Auditor's Report**  
**and Budgetary Comparison Schedule**

**For the Year Ended June 2008**

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**Patel &**  
**Associates**  
Certified Public Accountant

**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, 2008**

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**INDEPENDENT AUDITOR'S REPORT**

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

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, 2008. 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 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 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, 2008 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 Measure Y activities for the year ended June 30, 2008 in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008 on our consideration of City's internal control over financial reporting as it pertains to 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 and is not intended to be and should not be used by anyone other than these specified parties.

*Palmieri Associates*  
Oakland, California  
December 1, 2008

**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, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues:</b>				
Parcel tax	\$ 12,976,078	\$ 12,976,078	\$ 12,868,216	\$ (107,862)
Parking tax surcharge	7,836,050	7,836,050	7,222,738	(613,312)
Total revenues	<u>20,812,128</u>	<u>20,812,128</u>	<u>20,090,954</u>	<u>(721,174)</u>
<b>Expenditures:</b>				
<b>Community and Neighborhood Policing</b>				
Salaries and employee benefits	9,644,598	11,505,465	11,785,505	(280,040)
Other supplies and commodities	482,524	4,037,759	1,753,049	2,284,710
Other contract services	(298,403)	3,960,160	966,241	2,993,919
Total Community and Neighborhood Policing expenditures	<u>9,828,719</u>	<u>19,503,384</u>	<u>14,504,795</u>	<u>4,998,589</u>
<b>Violence Prevention with an Emphasis on Youth and Children</b>				
Salaries and employee benefits	641,769	792,860	776,370	16,490
Other supplies and commodities	23,591	53,730	35,909	17,821
Other contract services	5,894,280	11,580,294	7,285,355	4,294,939
Total Violence Prevention expenditures	<u>6,559,640</u>	<u>12,426,884</u>	<u>8,097,634</u>	<u>4,329,250</u>
<b>Fire Service</b>				
Salaries and employee benefits	3,902,777	4,195,807	4,021,427	174,380
Total Fire Service expenditures	<u>3,902,777</u>	<u>4,195,807</u>	<u>4,021,427</u>	<u>174,380</u>
<b>Evaluation</b>	<u>490,992</u>	<u>979,482</u>	<u>593,191</u>	<u>386,291</u>
<b>Administration</b>	<u>30,000</u>	<u>148,000</u>	<u>77,211</u>	<u>70,789</u>
Total expenditures	<u>20,812,128</u>	<u>37,253,557</u>	<u>27,294,258</u>	<u>9,959,299</u>
Change in fund balance, on a budgetary basis	\$ <u>-0-</u>	\$ <u>(16,441,429)</u>	<u>(7,203,304)</u>	\$ <u>9,238,125</u>
<b>Items not budgeted:</b>				
Charges for services			11,037	
Interest income			708,755	
Total items not budgeted			<u>719,792</u>	
Change in fund balance, on a GAAP basis			(6,483,512)	
Fund balance, beginning of year			<u>16,928,305</u>	
Fund balance, end of year			<u>\$ 10,444,793</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, 2008**

**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.

**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, 2008**

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.

**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, 2008 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 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.

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.

**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, 2008**

**NOTE C - BUDGET**

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 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.

When the budget is prepared, the City allocates the funds to each program in accordance with Measure Y Ordinance. Thus, the City ensures that 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 is allocated to programs enumerated in the *Violence Prevention Services With an Emphasis on Youth and Children* section each year Measure Y is in effect.

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.

**NOTE D - LITIGATION**

There is a pending litigation against the City for Measure Y alleging that the City has illegally collected, spent and accounted for Measure Y funds. As the litigation is subject of many uncertainties and as the outcome of the litigated matters can not be predicted with certainty, it is reasonably possible that some of these legal actions could be decided unfavorably against the City.

**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**

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

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, 2008, and have issued our report thereon dated December 1, 2008. 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 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 Measure Y's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Measure Y'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 Measure Y's 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 Measure Y's financial statements schedule that is more than inconsequential will not be prevented or detected by Measure Y's 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 Measure Y's internal control.

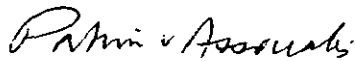
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any 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 Measure Y'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*.

We noted certain matters that we reported to the City's management in a separate letter dated December 1, 2008.

This report is intended solely for the information and use of 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.

  
Oakland, California  
December 1, 2008



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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

No matters were reported.

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

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**YEAR ENDED JUNE 30, 2008**

There were no findings reported in the prior year.

**OAKLAND WILDFIRE PREVENTION  
ASSESSMENT DISTRICT**

Independent Auditor's Reports and  
Budgetary Comparison Schedule

For the Year Ended June 30, 2008

**OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT**

For the Year Ended June 30, 2008

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**MACIAS GINI & O'CONNELL LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

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, 2008. 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, 2008 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, 2008, in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008 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

December 17, 2008

**OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT**  
 Budgetary Comparison Schedule (On a Budgetary Basis)  
 For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
<b>Revenues:</b>				
Special assessments	\$ 1,698,874	\$ 1,698,874	\$ 1,599,430	\$ (99,444)
<b>Expenditures:</b>				
Goat grazing	265,000	265,000	302,955	(37,955)
Yard waste disposal	100,000	100,000	32,700	67,300
Vegetation management	1,100,215	1,074,215	940,434	133,781
Fire prevention education and training	131,000	57,000	60,598	(3,598)
Roving fire patrol	10,000	10,000	7,388	2,612
Support services for inspection program	35,000	35,000	29,945	5,055
Administrative expenses	75,000	75,000	66,562	8,438
Total expenditures	1,716,215	1,616,215	1,440,582	175,633
<b>Reserves:</b>				
Operating reserves	100,000	200,000	-	200,000
Change in fund balance, on a budgetary basis	\$ (117,341)	\$ (117,341)	158,848	\$ 276,189
<b>Items not budgeted:</b>				
Interest			1,908	
Transfers: public properties			148,464	
Total items not budgeted			150,372	
Change in fund balance, on a GAAP basis			309,220	
Fund balance, beginning of year			215,478	
Fund balance, end of year			\$ 524,698	

The notes to the 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, 2008

### 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 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* – 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 the District's 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, 2008

## 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, 2008, 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 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.

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, 2008

### 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 may be initiated and reviewed by the CAC, 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.



**MACIAS GINI & O'CONNELL LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

Citizens' Advisory Committee  
Oakland Wildfire Prevention Assessment District  
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 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, 2008, and have issued our report thereon December 17, 2008, which 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.

*Macias Gini & Cunnell LLP*  
Certified Public Accountants  
Walnut Creek, California

December 17, 2008