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AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Osborn K. Solitei

SUBJECT: Wildfire Prevention Assessment District
Audit Report-FY 2012-13

DATE: February 5, 2014

City Administrator

Date

Approval

2/11/14

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept the Oakland Wildfire Prevention Assessment District Audit Report for the year ended June 30, 2013.

OUTCOME


The City will be in compliance with the reporting requirements of the Citizens' Advisory Committee of the Wildfire Prevention Assessment District.

BACKGROUND/LEGISLATIVE HISTORY

On January 20, 2004, the City Council approved Resolution No. 78305 C.M.S. establishing the Oakland Wildfire Prevention Assessment District. The District provides the following services:

- Goat Grazing
- Vegetation Management
- Property Owner Chipping Services
- Fire Prevention Education and Training
- Roving Fire Patrol
- Administrative and Support Services

Patel & Associates, an independent accounting firm and subcontractor to Maeias, Gini & O'Connell, the City's external auditor, performed the audit of the Oakland Wildfire Prevention Assessment District for the year ending June 30, 2013.

Item: 
Public Safety Committee
February 25, 2014

EXPIRATION OF WILDFIRE PREVENTION ASSESSMENT DISTRICT

In November 2013, voters in the City narrowly rejected the renewal of the WPAD in the mail-in election. As a result of the failure to pass the renewal, the assessment expires in January 2014 but will be funded through the 2014 fire season through funds collected on the 2013 property tax bill.

ANALYSIS

The Oakland Wildfire Prevention Assessment District Audit Report

The Wildfire audit report reflects the independent auditor’s opinion that the Wildfire Prevention Assessment District financial schedule of revenues and expenditures fairly presents, in all material respects, Wildfire activities, 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. The audit contains no findings and disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Summary of Financials

The Wildfire expenditures for FY 2012-2013 by program are summarized below; along with a description of each program. The attached audit report provides further details on the Wildfire Prevention Assessment District during FY 2012-13.

Program	Program Description	FY 2012-13
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.	\$357,680
Vegetation Management	Inspect District properties to identify those that are in violation of the Oakland Fire Code. Notify non-compliant property owners, re-inspect properties and charge the property owners for the cost of having contractors bring the property back into compliance.	1,123,650
Yard Waste Disposal (Property Owner Chipping Services)	Assist property owners by providing a convenient way to dispose of tree branches, brush and other yard waste that can fuel fires.	66,111
Fire Prevention Education and Training	Provide 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.	84,121
Roving fire patrol	Provide additional fire patrols to monitor properties within the boundaries of the District during high fire hazard days	7,406
Administrative and Support Services	Administrative expenses and support services for inspection program.	138,444
TOTAL		\$1,777,412

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PUBLIC OUTREACH/INTEREST

This item did not require any additional outreach other than the required posting on the City's website.

COORDINATION

This report was prepared in coordination with the Oakland Fire Department, City Attorney's Office and the Budget Office.

COST SUMMARY/IMPLICATIONS

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

The Wildfire Prevention Assessment District revenues totaled \$1,912,983 in FY 2012-13. These revenues were received from special assessments (\$1,659,530) and transfers (\$253,453) from public properties. Expenditures totaled \$1,777,412. In addition, the City incurred expenses amounting to \$137,265 for the benefit of the District, including support services for inspection program and administrative expenses.

SUSTAINABLE OPPORTUNITIES

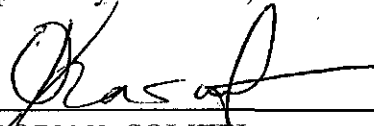
Economic: No direct economic opportunities have been identified.

Environmental: No environmental opportunities have been identified.

Social Equity: No social equity opportunities have been identified.

For questions regarding this report, please contact Osborn K. Solitei, Finance Director/Controller at (510) 238-3809.

Respectfully submitted,



OSBORN K. SOLITEI
Finance Director/Controller
Controller's Office

Attachment:

Oakland Wildfire Prevention Assessment District Audit Report for the Year Ended June 30, 2013

Item: 8
Public Safety Committee
February 25, 2014

**OAKLAND WILDFIRE PREVENTION
ASSESSMENT DISTRICT**

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

For the year ended June 30, 2013

 **Patel &
Associates**
Certified Public Accountant

OAKLAND WILDFIRE PREVENTION DISTRICT
For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Schedule

We have audited the accompanying budgetary comparison schedule (financial schedule) of Oakland Wildfire Prevention Assessment District (the District), an activity of the City of Oakland (the City), for the year ended June 30, 2013 and the related notes to the budgetary comparison schedule, which collectively comprise the revenues and expenditures of the District activities.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the financial schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial schedule in order to design 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 as it pertains to the District. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial schedule.

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

Opinion

In our opinion, the financial schedule referred to above presents fairly, in all material respects, the revenues and expenditures of Oakland Wildfire Prevention Assessment District for the year ended June 30, 2013, in conformity with the basis of accounting described in Note B.

Emphasis of Matter

The financial schedule was prepared to present the total revenues and expenditures of the District activity 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, 2013 in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of the City's internal control over financial reporting as it pertains to Oakland Wildfire Prevention Assessment 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.

PwC & Associates
Oakland, California
December 10, 2013

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
Budgetary Comparison Schedule (on a Budgetary Basis)
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues and transfers				
Special assessments	\$ 1,704,157	\$ 1,552,964	\$ 1,659,530	\$ 106,566
Transfers - public properties		151,193	253,453	102,260
Total revenues and transfers	<u>1,704,157</u>	<u>1,704,157</u>	<u>1,912,983</u>	<u>208,826</u>
Expenditures				
Goat grazing	365,000	365,000	357,680	7,320
Property Owner Chipping Services	100,000	100,000	66,111	33,889
Vegetation management	1,200,000	1,200,000	1,123,650	76,350
Fire prevention education and training	125,000	125,000	84,121	40,879
Roving fire patrol	25,000	25,000	7,406	17,594
Support services for inspection program	65,000	65,000	45,092	19,908
Administrative expenses	257,122	257,122	93,352	163,770
Total expenditures	<u>2,137,122</u>	<u>2,137,122</u>	<u>1,777,412</u>	<u>359,710</u>
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	5,640	5,640	
Total reserves	<u>475,000</u>	<u>476,640</u>	<u>5,640</u>	<u>471,000</u>
Change in fund balance, on a budgetary basis	\$ <u>(907,965)</u>	\$ <u>(909,605)</u>	129,931	\$ <u>1,039,536</u>
Item not budgeted				
Investment loss			<u>(1,912)</u>	
Total items not budgeted			<u>(1,912)</u>	
Change in fund balance after adjustment for item not budgeted			128,019	
Fund balance, beginning of year			<u>1,648,532</u>	
Fund balance, end of year			<u>\$ 1,776,551</u>	

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, 2013

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.

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2013

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 Patrol – 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, 2013 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.

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2013

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 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

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.

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2013

Supplemental budgetary changes 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	\$ <u>151,220</u>
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Total expenses incurred by the City for the benefit of the District	\$ <u>137,265</u>
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NOTE E - SUBSEQUENT EVENT

Expiration of Wildfire Prevention Assessment District

In November 2013, voters in the City of Oakland narrowly rejected the renewal of the Wildfire Prevention Assessment District in the mail-in election. As a result of the failure to pass the renewal, the assessment expires in January 2014 but will be funded through the 2014 fire season through funds collected on the 2013 property tax bill.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the budgetary comparison schedule (financial schedule) of Oakland Wildfire Prevention Assessment District (the District), an activity of the City of Oakland (the City), for the year ended June 30, 2013, and the related notes to the financial schedule which collectively comprise the revenues and expenditures of the District activities and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedule, we considered the City's internal control over financial reporting (internal control) as it pertains to the District, to determine the audit procedures that are appropriate in the circumstances 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 City's internal control. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance as it pertains to the District. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance as it pertains to the District. Accordingly, this communication is not suitable for any other purpose.

Patricia A. Aspinwall
Oakland, California
December 10, 2013

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

There were no findings reported in the current year.

OAKLAND WILDFIRE PREVENTION ASSESSMENT DISTRICT
STATUS OF PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

There were no findings reported in the prior year.

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PUBLIC SAFETY CMTE.

FEB 25 2014