CITY OF OAKLAND

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AGENDA REPORT

TO: FRED G. BLACKWELL
INTERIM CITY ADMINISTRATOR

FROM: Osborn K. Solitei

SUBJECT: Single Audit Report for Fiscal Year 2012-13

DATE: April 14, 2014

City Administrator Approval		Date	4/30/14

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept the Single Audit Report for the year ended June 30, 2013 as issued by Macias Gini & O'Connell LLP ("MGO"), the City's external auditor.

EXECUTIVE SUMMARY

The Controller's Office is pleased to present to the City Council the attached Single Audit Report for the year ended June 30, 2013.

The Single Audit Report, mandated by the Federal Single Audit Act of 1984 as amended, was enacted to simplify the process of auditing federal grants administered by state, local governments, and non-profit organizations by combining all federal grants under one audit instead of each Federal Agency performing separate audits. The City's Single Audit Report includes the basic financial statements, the Schedule of Expenditures of Federal Awards ("SEFA"), and the supplemental schedules for the State of California Department of Community Service and Development ("CSD"); Community Service Block Grant ("CSBG"), and the Alameda County Awards.

The Auditor's unmodified opinion letters for the report mentioned above declared that the basic financial statements and the federal awards contained therein accurately represent the financial position of the City as of June 30, 2013.

The Single Audit Report for fiscal year ended June 30, 2013 contains three (3) findings related to the Federal Award and Questioned Costs. These findings have no adverse impact on the City's financial condition. The attached Single Audit Report contains the auditor's findings, recommendations and the City's response and corrective action plans as appropriate.

OUTCOME

This report is being presented in compliance with the Federal Single Audit Act of 1984 as amended. This is an informational report only.

BACKGROUND/LEGISLATIVE HISTORY

The Single Audit Act of 1984 and subsequent amendments were enacted to obtain consistency and uniformity among federal agencies for the audit of state, local governments, and non-profit organizations expending federal awards.

The Single Audit Report is a requirement for entities that expend $500,000 or more a year in federal awards and is the primary mechanism used by federal agencies to ensure accountability for federal awards.

The Single Audit must be conducted in accordance with the *Government Auditing Standards* and the provisions of the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement.*

As part of the annual audit process, MGO audits the City's federal awards programs to ensure compliance with federal requirements as specified in the Single Audit Act of 1984 as amended. Based on the audit, the auditor issues a Single Audit Report to the City Council. The attached Single Audit Report contains the auditor's findings, recommendations and the City's response and corrective action plans as appropriate.

ANALYSIS

Attached for the Finance and Management Committee review is the Single Audit Report for the year ended June 30, 2013. The report is discussed briefly below.

Single Audit Report

Macias, Gini & O'Connell LLP audited the City's federal award programs for the fiscal year ended June 30, 2013. The audit was conducted in accordance with *Generally Accepted Auditing Standards* and *Government Auditing Standards*. MGO reviewed the City's internal controls for compliance requirements applicable to each of its major federal programs. No material weaknesses were identified.

The Single Audit Act requires any audit findings and/or questioned cost be incorporated into the Single Audit Report along with a corrective action plan. The Single Audit Report for fiscal year ended June 30, 2013 contains three findings as noted on pages 129-133 of the report.

The audit found questioned costs in the Community Development Block Grants/Entitlement Grants program. Expenditures related to two of the grants under this federal program were incurred after the grant expiration dates. There were no questioned costs on the other two programs tested. City management has established a corrective action plan for each finding and its responses to the findings are included in the report. The Single Audit Act also requires a status update on any prior year findings, which is also included in the current Single Audit Report. Below is a summary of findings and questioned costs for the year ended June 30, 2013, as well as a Summary of Prior Audit Findings, Year Ended June 30, 2012:

1. **Finding 2013-001: Performance Report Requirement**

   During the auditor's review of the Housing Opportunities for Persons with AIDS program administered by the Housing and Community Development Department, the auditors noted that the City did not submit the required US Department of Housing and Urban Development ("HUD") 60002 reports for the period July 1, 2012 to June 30, 2013.

   Management Response and Corrective Action:
   The City has requested and received guidance from HUD on this matter. Going forward, the City will implement procedures to achieve timely reporting of the HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* reporting.

2. **Finding 2013-2: Federal Funding Accountability and Transparency Act Reporting (FFATA)**

   The City is a prime grantee of federal awards under the Community Development Block Grants/Entitlement Grants ("CDBG Program"), and is required to comply with FFATA reporting requirements. The City's Housing and Community Development Department ("HCD") administers the CDBG Program, but did not submit the required reports for subawards made during the year ended June 30, 2013.

   Management Response and Corrective Action:
   The Federal Funding Accountability and Transparency Act ("FFATA") legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public. As a response to this requirement, and as a form of public transparency, the City has made available on its website the Annual Action Plan. The Annual Action Plan provides in detail the names of sub-recipients, the dollar amount and the project description of all projects funded through grants from HUD. Additionally, the City enters the sub-recipient's name, dollar amount of subaward, and project description of all HUD funded projects into the Integrated Database and Information System ("IDIS"), HUD Database.

In mid-December 2013, HUD confirmed with the City that the Consolidated Annual Performance and Evaluation Report ("CAPER") submission does not satisfy the FFATA requirements. Therefore, at this time, the Housing and Community Development Department will report all subawards made to date in the FFATA Subaward Reporting System ("FSRS") website (www.fsrs.gov). If technical or other difficulties prevent compliance with the reporting requirements by the specified due dates, the departments will retain proper documentation to demonstrate good faith efforts.

3. **Finding 2013-003: Period of Availability Monitoring**

   The City incurred expenditures under three grant awards for the Community Development Block Grants/Entitlement Grants program. Expenditures related to two of the grants (B-09-MY-06-0013 and B08-MN-06-005) were incurred after the grant expiration dates.

   Management Response and Corrective Action:
   The City acknowledges the auditor's recommendation. Both of the grants B-09-MY-06-0013 and B08-MN-06-005 were new grants for the City and had ending dates outside of the City's Fiscal year budget. The expenditures that incurred after the grant expiration dates were for personnel, operations and maintenance ("O & M") costs. The City should have stopped charging these expenditures to the grants, but the costs were inadvertently applied to both programs after the expiration date.

   Staff is moving forward with putting systems in place to ensure no charges are incurred to a grant after the end date. All personnel costs and O & M costs will end one month prior to the expiration date of the grant to allow for reconciliation of all charges to the grant.

Summary of Prior Audit Findings, Year Ended June 30, 2012

1. **Federal Award Finding 2012-1: Davis-Bacon Act Requirement**

   During the auditor's review of the City's compliance with the Davis-Bacon Act for the Home Investment Partnerships Program administered by the City's Housing and Community Development Department, it was found that 30 of the 40 certified payrolls selected for testing were collected after the City made disbursed federal awards to the contractors.

For the Highway Planning and Construction Program administered by the Public Works Department, auditor's testing found that 4 of the 25 certified payrolls selected for testing were collected after payments were made to the contractor.

Status of Corrective Action: Corrective action has been implemented.

2. **Federal Award Finding 2012-2: Performance Report Requirement**

   The City did not submit the required Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, for the period July 1, 2010 to June 30, 2011. The purpose of form HUD 6002 is to report annual accomplishments regarding employment and other economic opportunities provided to low- and very low-income persons under Section 3 of the Housing and Urban Development Act of 1968.

   Status of Corrective Action: Corrective action has been implemented.

3. **Federal Award Finding 2012-3: Federal Funding Accountability and Transparency Act Reporting**

   The City did not submit subaward data in the FSRS and was not able to provide proper documentation to demonstrate any good faith efforts. The City is not compliant with the Federal Funding Availability and Transparency Act ("FFATA") subaward reporting requirements. The FFATA legislation requires information on federal awards be made available to the public via a single, searchable website.

   Status of Corrective Action: Corrective action has been implemented for the Supportive Housing Program and the Head Start program. The finding has not been corrected for the Community Development Block Grants/Entitlement Grants.

4. **Federal Award Finding 2012-4: Procurement History**

   During the auditor's review of the City's compliance with Procurement, it was found that for 1 out of 10 contractors selected for testing, totaling $1.4 million in expenditures, the City was unable to locate the procurement files. The grantee is responsible for maintaining sufficient documentation on the significant history of procurements using federal funds.

   Status of Corrective Action: Corrective action has been implemented.

Schedule of Expenditures of Federal Awards (SEFA):

The following is a brief analysis of the schedule of expenditures of federal awards:

Schedule of Expenditures of Federal Awards (SEFA)				
	FY 2012	**FY 2013**	**Increase/ Decrease**	**% Increase/ Decrease**
Federal Award Expenditure	92,233,485	88,861,993	(3,371,492)	-3.66%
Home Investment Partnerships Program – Prior Year Loans	64,870,719	70,766,574	5,895,855	9.09%
Total SEFA	**157,104,204**	**159,628,567**	**2,524,363**	**1.60%**

The major activities of the federal award expenditures over last fiscal year are as follows:

- $8.1 million decrease in the American Recovery and Reinvestment Act (ARRA) funds expenditures from $19.7 million to $11.6 million.
- $2.8 million increase in Port Security American Recovery and Reinvestment Act (ARRA) grant funds.
- $3.6 million increase in Community Development Block Grants (CDBG)/Entitlement Grants.
- $5.9 million increase in Home Investment Partnership Program – Prior Year Loans

Independent Auditor's Report to the Committee

MGO audited the City's basic financial statements for the fiscal year ended June 30, 2013 in accordance with generally accepted auditing standards and issued their opinion that the financial statements were presented fairly in conformity with generally accepted accounting principles. The financial statements and the independent auditor's communication to council report were presented to the Committee at its March 25, 2014 meeting and subsequently accepted by the City Council on April 1, 2014.

During the course of the audit, MGO conducted limited procedures of the City's internal control and management practices during the audit of the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The independent auditor looked for material weakness or significant deficiencies that would require immediate disclosure to the City Council in accordance with generally accepted auditing standards. The independent auditor's report for the City's fiscal year 2012-13 CAFR submitted to the City Council on April 1, 2014 for the fiscal year ended June 30, 2013 contains no findings.

PUBLIC OUTREACH/INTEREST

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

COORDINATION

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

COST SUMMARY/IMPLICATIONS

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

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No environment opportunities have been identified.

Social Equity: No social equity opportunities have been identified.

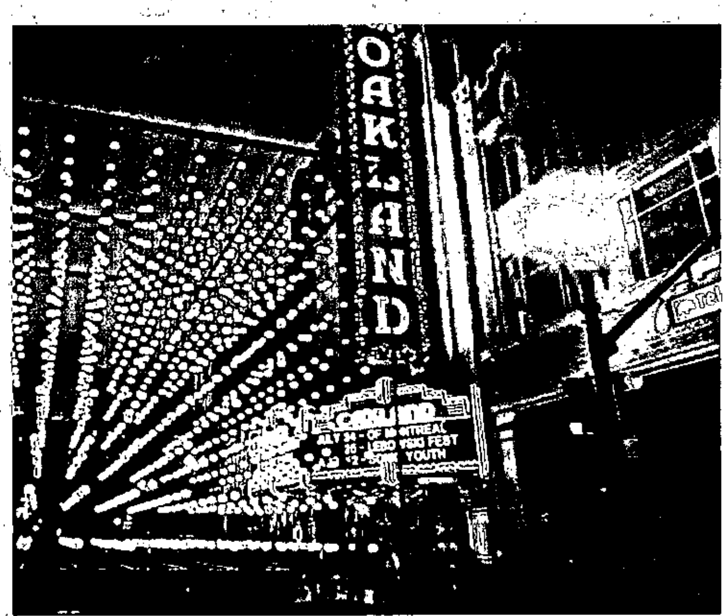
For questions regarding this report, please contact Osborn K. Solitei, Finance Director/Controller at (510) 238-3809.

Respectfully submitted,

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

Attachments

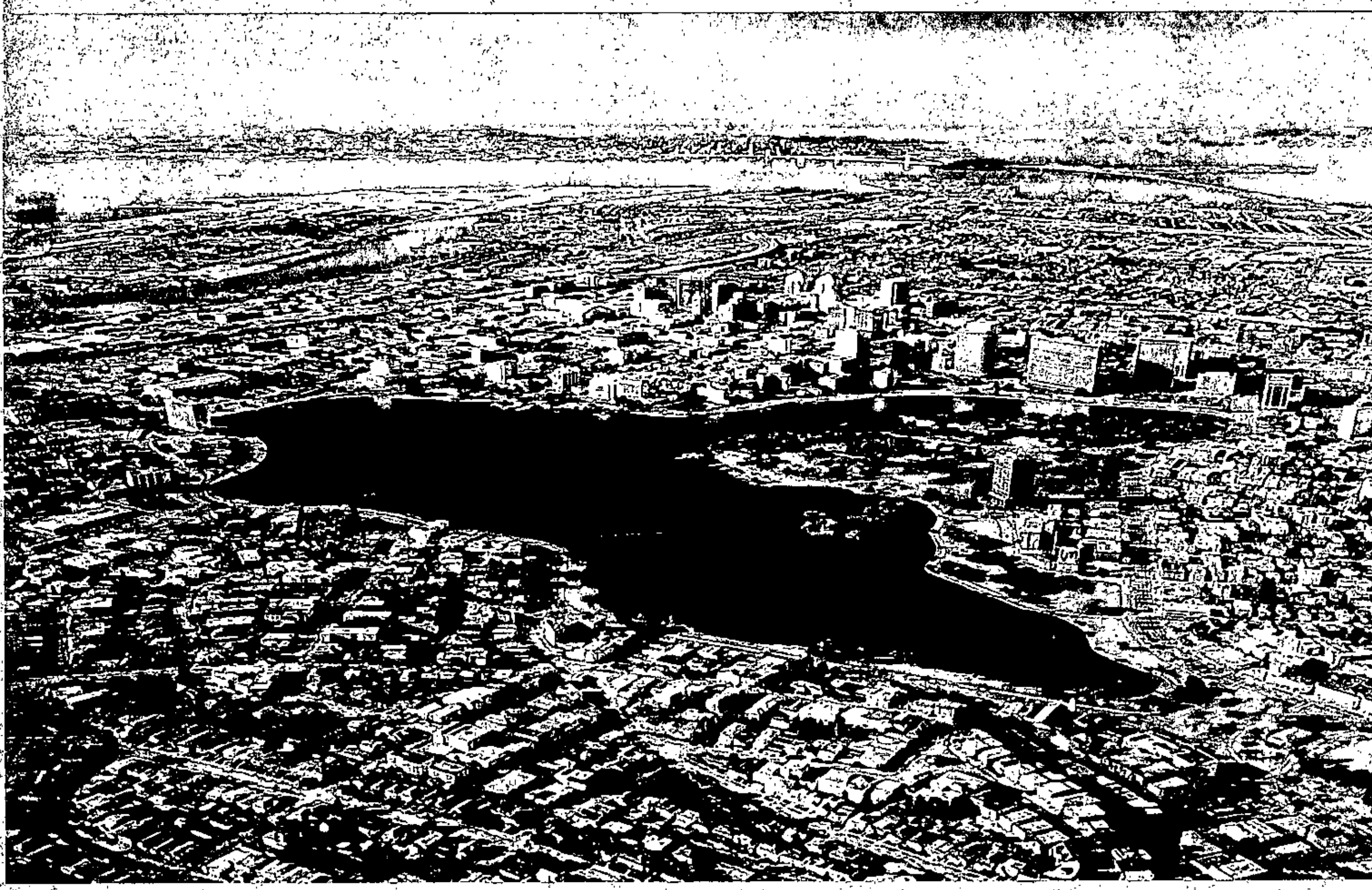
- ***Single Audit Report for the Year Ended June 30, 2013***
- ***Link: http://www.oaklandnet.com/government/fwawebsite/accounting/CAFR.htm***



CITY OF OAKLAND, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013



CITY OF OAKLAND
CALIFORNIA

SINGLE AUDIT REPORTS

FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT

OSBORN K. SOLITEI, FINANCE DIRECTOR/CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

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Year Ended June 30, 2013

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SINGLE AUDIT REPORTS

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Sacramento

Walnut Creek

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Oakland, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), which collectively represent 45%, 103% and 45%, respectively of the assets, net position, and additions of the aggregate remaining fund information as of and for the year ended June 30, 2013. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for OMERS and PFRS, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 statements are free from material misstatement. The financial statements of OMERS and PFRS were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. 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 statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Changes in Accounting Principles
As discussed in Note 2 to the financial statements, effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and the budgetary comparison schedule for the general fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, State of California Department of Community Services and Development supplemental schedules of revenue and expenditures, and supplemental schedule of expenditures of Alameda County awards (collectively referred to as supplementary schedules), as required by OMB Circular A-133, the State of California Department of Community Services and Development, and the County of Alameda, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the City's internal control over financial reporting 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* in considering the City's internal control over financial reporting and oompliance.

Macias Gini & O'Connell LLP

Oakland, California
December 13, 2013, except for our report on
the supplementary schedules, for which
the date is March 27, 2014

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2013, the total assets exceeded its total liabilities by $986.8 million compared to $1,086.1 million at June 30, 2012. This represents a net decrease of $99.3 million or 9.1 percent compared to the previous year. The decrease is primarily attributed to the extraordinary loss on the State Controller's Office ("SCO") asset transfer review of $156.9 million of the former Oakland Redevelopment Agency ("Agency"), the total amount consists of real properties, cash and cash equivalents and notes and loan receivables. The SCO asset transfer review was recorded as an extraordinary gain in Oakland Redevelopment Successor Agency's ("ORSA") financial statements. Accordingly, SCO asset transfer review of the former Agency's assets from City to the Oakland Redevelopment Successor Agency (ORSA) was recorded as extraordinary loss in the City's governmental funds and the City governmental activities. The components of the extraordinary item recorded in the financial statements are discussed in Note 2. Excluding the extraordinary gain, net position increased by $57.5 million

- The City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* as of July 1, 2012. The City restated the July 1, 2012 net position to write off unamortized bond issuance costs previously reported as an asset or included in deferred amounts from refundings. Gains and losses on refundings of debt were reclassified from a contra liability account and reported as deferred inflows of resources or deferred outflows of resources, respectively. The total impact of this change was a $3.0 million reduction in the beginning net position. The 2012 financial statements were not restated.

- The City's governmental cumulative fund balances decreased by 31.0 pereent or $149.7 million to $561.8 million compared to $711.5 million for the prior fiscal year. This decrease is primarily attributed to SCO asset transfer review of the former Agency's assets from City to the ORSA recorded in the Municipal Capital Improvement Fund; the decrease for the fund was $131.9 million, of which $101.2 million was due to the SCO asset rransfer review; General Fund decreased by $10.3 million; the Federal/State Grant fund decreased by ($13.2 million). These decreases are partially offset by increases in fund balance in the Other Governmental Fund Funds by $3.6 million.

- As of June 30, 2013, the City had total long-term obligations outstanding of $1.58 billion compared to $1.41 billion outstanding for the prior fiscal year for an increase of 12.3 percent or $173.0 million. The increase is primarily as a result the issuance of taxable pension obligation bonds series 2012 for $212.5 million, issuance of $28.0 million Capital leases for Master Lease for Vehicle and Equipment for $11.9 million and Master Lease – Led Streetlight acquisition lease financing for $16.1 million. This increase was partially offset by payments of scheduled debt service ($74.9 million) of governmental bonds. The detrease in business-type aotivities was due to payments of scheduled debt service including sewer revenue bonds for $2.0 million and sewer notes payable for $0.3 million. Of the $1.58 billion, $309.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.27 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

- The City undesignated, uncommitted fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund expenditures for fiscal year 2013 (See note 12).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of four components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Required Supplemental Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to the financial statements for a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, Community Services, community and economic development, and public works. The business-type activities of the City include the sewer service system and the parks and recreation.

The government-wide financial statements include the primary government of the City and the Port of Oakland (Port) as a discrete component unit. Financial information for the Port is reported separately from the financial information presented for the primary government. Further information about the Port can be obtained from the Port Financial Services Division, 530 Water Street, Oakland, CA 94607 or visit the website at www.portofoakland.com.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: *governmental funds, proprietary funds* and *fiduciary funds.*

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects, debt service and general fund). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the federal and state grant special revenue fund, the low and moderate income housing asset fund ("LMIHF"), the municipal capital improvement fund, and the special revenue bond fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund in the required supplementary information to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information shown in the government-wide statements only in more detail.

The City maintains the following two types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The Sewer Service Fund is considered to be a major fund of the City.

Internal service funds are used to report activities that provide services and supplies for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, radio and communication equipment, facilities management, printing and reproduction, central stores and purchasing. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of employees and parties outside the City. The Oakland Municipal Employees Retirement System (OMERS) Fund and the Police and Fire Retirement System (PFRS) Fund are reported as pension trust funds. The private purpose trust funds along with the private pension trust fund are reported as trust funds since their resources are not available to support the City's own programs. For this reason, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes the budgetary schedule for the General Fund and schedules of funding progress for pension and other postemployment benefits that show the City's progress towards funding its obligation to provide future pension and other postemployment benefits for its active and retired employees.

Other Information

In addition, this report presents combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are immediately following the required supplementary information along with budgetary comparison schedules.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. The City's total assets and deferred outflows of resources exceed total liabilities as of June 30, 2013 by $986.8 million compared to $1,086.1 million as of June 30, 2012, a decrease of $99.3 million. The largest portion of the City's net position, 85.3 percent, reflects City's net investment in capital assets of $842.1 million for governmental and business-type activities. Of the remaining balance, $142.5 million are subject to external restrictions on how they may be used. $2.2 million represent unrestricted net position, which is comprised of a deficit balance of $51.2 million for governmental activities, and a positive balance of $53.3 million for business-type activities.

Statement of Net Position
June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase/(Decrease)	
	2013	2012 (As Restated)	2013	2012 (As Restated)	2013	2012	Amount	%
Assets:								
Current and other assets	$ 1,417,618	$ 1,369,730	$ 60,226	$ 51,122	$ 1,477,844	$ 1,420,852	$ 56,992	4.0%
Capital assets	1,098,752	1,035,352	175,932	171,698	1,274,684	1,207,050	67,634	5.6%
Total assets	2,516,370	2,405,082	236,158	222,820	2,752,528	2,627,902	124,626	4.7%
Total deferred outflows of resources	17,088	18,546	-	-	17,088	18,546	(1,458)	-7.9%
Liabilities:								
Long-term liabilities	1,528,387	1,352,972	50,886	53,272	1,579,273	1,406,244	173,029	12.3%
Other liabilities	201,130	151,488	2,389	2,874	203,519	154,362	49,157	31.8%
Total liabilities	1,729,517	1,504,460	53,275	56,146	1,782,792	1,560,606	222,186	14.2%
Net Position:								
Net investment in capital assets	712,606	663,785	129,542	122,911	842,148	786,696	55,452	7.0%
Restricted	142,506	274,004	-	-	142,506	274,004	(131,498)	-48.0%
Unrestricted	(51,171)	(18,621)	53,341	43,763	2,170	25,142	(22,972)	-91.4%
Total net position	$ 803,941	$ 919,168	$ 182,883	$ 166,674	$ 986,824	$ 1,085,842	$ (99,018)	-9.1%

The City implemented two new Governmental Accounting Standards Board (GASB) Statements in the current fiscal year that significantly changed the current year's presentation.

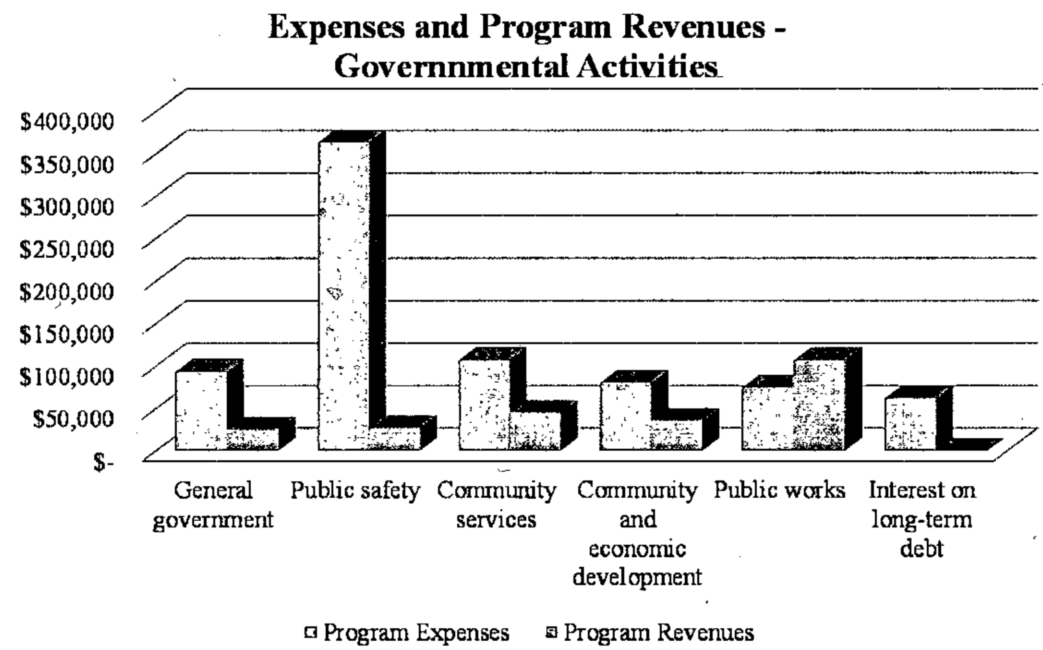
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for two new financial statement elements – deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources* are defined as a consumption of net assets that is applicable to a future reporting period. *Deferred inflows or resources* are defined as an acquisition of net position that is applicable to a future reporting period. This Statement also incorporates deferred outflows of resources and deferred inflows of resources into the residual measure as net position, rather than net position.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify certain items (that were previously reported as assets and liabilities) as deferred outflows of resources or deferred inflows of resources, and recognizes certain items (that were previously reported as assets and liabilities) as outflows of resources or inflows of resources. As a result, the City restated the beginning net position by reporting a prior year adjustment of $3.0 million in the Statement of Activities for the fiscal year ended June 30, 2013.

Governmental activities. The City's net position in governmental activities decreased by $112.5 million, excluding the extraordinary loss of $156.9 million from SCO asset transfer review of the former Agency, the net position increased by $44.4 million for the year ended June 30, 2013. The following table indicates the changes in net position for governmental and business-type activities:

Statement of Activities
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 126,831	$ 166,033	$ 53,291	$ 48,775	$ 180,122	$ 214,808
Operating grants and contributions	89,424	89,620	-	-	89,424	89,620
Capital grants and contributions	26,179	30,607	-	-	26,179	30,607
General revenues:						
Property taxes	256,333	288,923	-	-	256,333	288,923
Sales and use taxes	60,494	55,659	-	-	60,494	55,659
Motor vehicles in-lieu tax	-	221	-	-	-	221
Gas tax	10,004	11,060	-	-	10,004	11,060
Local taxes:						
Business license	60,371	58,712	-	-	60,371	58,712
Utility consumption	50,752	51,434	-	-	50,752	51,434
Real estate transfer	47,406	30,653	-	-	47,406	30,653
Transient occupancy	15,831	13,822	-	-	15,831	13,822
Parking	15,565	15,975	-	-	15,565	15,975
Voter approved special tax	38,247	35,812	-	-	38,247	35,812
Franchise	16,035	15,829	-	-	16,035	15,829
Interest and investment income	6,358	7,078	(24)	83	6,334	7,161
Other	7,076	53,172	-	-	7,076	53,172
Total revenues	826,906	924,610	53,267	48,858	880,173	973,468
Expenses:						
General government	93,942	83,131	-	-	93,942	83,131
Public safety	363,597	351,566	-	-	363,597	351,566
Community services	107,779	122,829	-	-	107,779	122,829
Community & economic development	81,182	138,596	-	-	81,182	138,596
Public works	75,158	101,892	-	-	75,158	101,892
Interest on long-term debt	62,744	68,948	-	-	62,744	68,948
Sewer	-	-	34,504	31,210	34,504	31,210
Parks and recreation	-	-	643	492	643	492
Total expenses	784,402	866,962	35,147	31,702	819,549	898,664
Change in net position before transfers and extraordinary items	42,504	57,648	18,120	17,156	60,624	74,804
Transfers	1,911	1,893	(1,911)	(1,893)	-	-
Extraordinary loss due to SCO asset transfer review and DOF disallowances	(156,902)	273,020	-	-	(156,902)	273,020
Change in position	(112,487)	332,561	16,209	15,263	(96,278)	347,824
Net position, beginning (as restated)	916,428	586,607	166,674	151,411	1,083,102	738,018
Net position, end	$ 803,941	$ 919,168	$ 182,883	$ 166,674	$ 986,824	$ 1,085,842

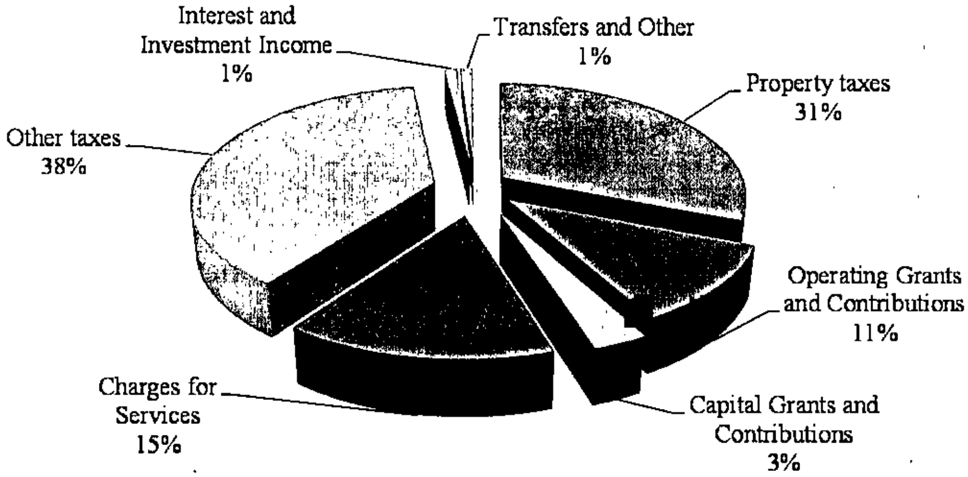


Governmental activities: Net position for governmental activities, excluding extraordinary loss of $156.9 million due to SCO asset transfer review of the former Agency and last year extraordinary gain of $273.0 million from dissolution of the former Agency, net position increased by $44.4 million or 6.0 percent during 2012-13 from $646.1 million to $690.5 million. Total revenue decreased at rate of 10.6 percent compared to expenses decreased at a rate of 9.2 percent. During 2011-12, revenues decreased at a rate of 2.4 percent and expenses decreased at rates of 4.9 percent, respectively.

Changes in net position for governmental activities are attributed to the following significant elements:

- Contributing factors resulting to increases in certain revenue categories are as follows: Real estate transfer tax increased by $16.7 million or 54.6 percent primarily due to stronger high volume real estate sales. Real estate transfer tax is highly volatile and revenues can increase and decrease rapidly with changing market conditions or a result of the sale of high value properties. Sales and use taxes increased by $4.8 million or 8.7 percent due modest consumer spending as well as high per gallon price of gasoline. Business License increased by $1.6 million due to increase in gross receipts from businesses and an increase in cannabis dispensaries. Transient occupancy increased by $2.0 million or 14.5 percent due to local Hotel demand thriving. The voter approved special tax increased slightly by $2.4 million or 6.8 percent.
- Contributing factors resulting to decrease in certain revenue categories are as follows: property taxes $32.6 million or 11.8 percent, this is mainly due to redistribution of the former redevelopment agency property tax revenues in to the ORSA private-purpose trust fund starting February 1, 2012. Excluding the impact of $33.3 million of the former Agency's property taxes for seven months in the prior fiscal year, property taxes increased slightly by $0.8 million to reflect a slight increase in assessed property valuations. Other revenues decreased by $46.1 million or 86.7 percent mainly due to only $67 thousand sale of various properties by the City in FY 2012-13 compared to $32.2 million in FY 2011-12, also in the same category, pension annuity contract market value decreased by $13.0 million from prior fiscal year.

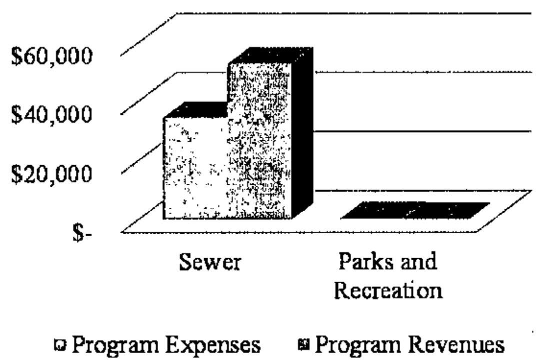
Revenues By Source - Governmental Activities



- General government expenses increased by $10.8 million or 13.0 percent when compared to previous year primarily due to organizational restructuring of the former community and economic development agency into the city administrator as divisions; Cultural Arts division, office of neighborhood investment, and office of economic and workforce development. The restructuring took effect after the dissolution law on February 1, 2012 of the former Agency.
- Public safety expenses increased by $12.0 million or 3.4 percent when compared to the previous year due primarily to net pension cost as a result of the pension obligation bonds series 2012 and overtime on sworn employees. The increase is partially offset by vacancy savings.
- Community and economic development expenses decreased by $57.4 million or 41.4 percent primarily due to the dissolution of the former Agency and less housing program activities as a result of the dissolution of the agency.
- Community services expenses decreased by $15.1 million or 12.3 percent primarily due to the dissolution of the former Agency effective February 1, 2012.
- Public works expenses decreased by $26.7 million or 26.2 percent from the prior year primarily due to the dissolution of the former Agency effective February 1, 2012.
- Interest on long-term debt decreased by $6.2 million or 9.0 percent primarily due to obligations of the former Agency transferred to ORSA private-purpose trust fund on February 1, 2012. A full fiscal year of interest and fiscal charges is recorded in ORSA private-purpose trust fund commencing in fiscal year 2013.

Business-type activities: Business-type activities ended the fiscal year with a positive change in its net position of $15.9 million compared to $15.2 million the previous fiscal year. The increase in net position is primarily attributable to $4.5 million or 9.3 percent increase in sewer revenues offset by $3.3 million or 10.5 percent increase in sewer project related expenses.

Expenses and Program Revenues - Business-Type Activities



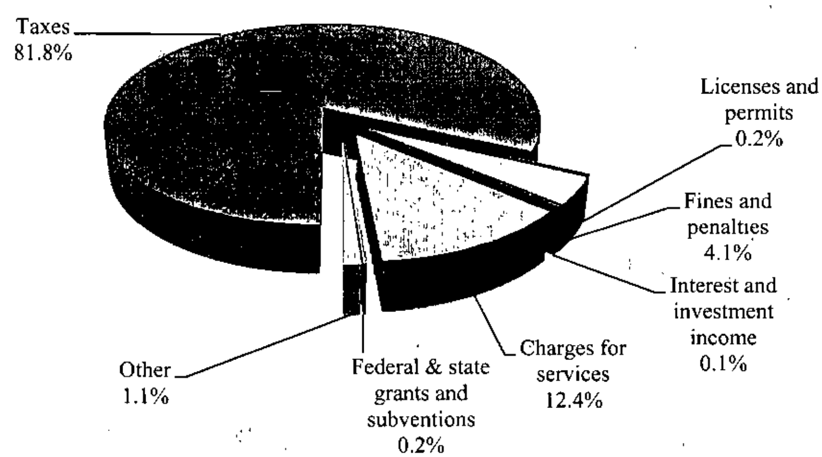
Revenues By Source - Business-Type Activities

Financial Analysis of the Government's Funds

Governmental funds: The focus of City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund: The General Fund is the chief operating fund of the City. At June 30, 2013, its unassigned fund balance is $52.4 million or 21.3 percent of the $245.6 million total General Fund balance.

General Fund Revenues



For the fiscal year ended June 30, 2013 and 2012, revenues for the General Fund by revenue source are distributed as follows (in thousands):

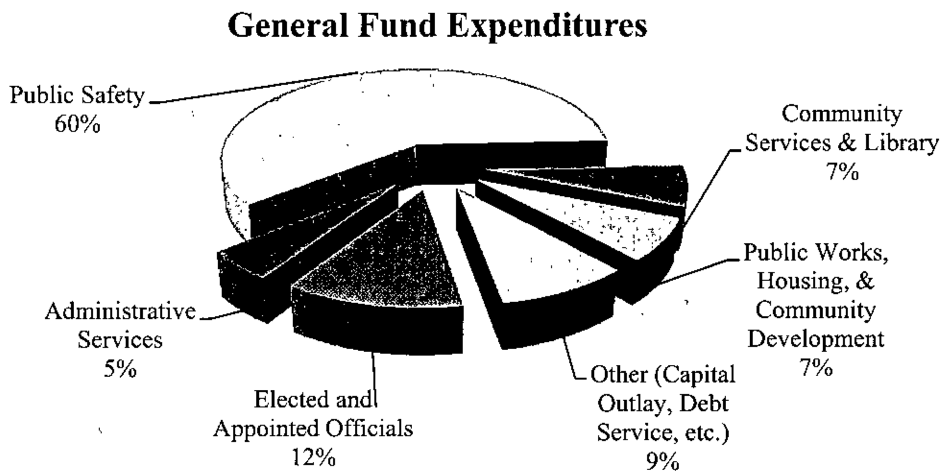
	General Fund		Increase/(Decrease)	
	2013	**2012**	**Amount**	**%**
Revenues:				
Property taxes	$ 214,495	$ 198,192	$ 16,303	8.2%
Sales and use taxes	48,818	44,741	4,077	9.1%
Motor vehicles in-lieu tax	-	221	(221)	-100.0%
Local taxes:				
Business license	60,371	58,712	1,659	2.8%
Utility consumption	50,752	51,434	(682)	-1.3%
Real estate transfer	47,406	30,653	16,753	54.7%
Transient occupancy	12,454	10,830	1,624	15.0%
Parking	7,947	8,617	(670)	-7.8%
Franchise	15,829	15,572	257	1.7%
Licenses and permits	1,373	1,160	213	18.4%
Fines and penalties	22,971	23,924	(953)	-4.0%
Interest and investment income	458	1,016	(558)	-54.9%
Charges for services	69,442	93,256	(23,814)	-25.5%
Federal & state grants and subventions	1,391	1,357	34	2.5%
Annuity income	-	14,065	(14,065)	-100.0%
Other	6,329	9,560	(3,231)	-33.8%
Total revenues	**$ 560,036**	**$ 563,310**	**$ (3,274)**	**-0.6%**

General Fund Revenues: Significant changes in revenues are as follows:

- *Property taxes* increased by $16.3 million or 8.2 percent primarily due to receiving of the "residual payment" of $12.0 million from the Redevelopment Property Tax Trust Funds (RPTTF) distribution as a result of the California Department of Finance ("DOF") due diligence review ("DDR") for LMIHF and Other Funds and Accounts ("OFA") DDR. In 2011, the State passed a legislation mandating all Redevelopment Agencies ("RDAs") be dissolved by February 1, 2012. Under this legislation, monies historically distributed to the former RDAs are now transferred to the Redevelopment Property Tax Trust Fund (RPTTF). In FY 2012-13, the City received a one-time total of $12.0 million as a share of the residual balances.
- *Sales and use tax* increased by $4.1 million or 9.1 percent represents due modest consumer spending as well as high per gallon price of gasoline
- *Real estate transfer tax* increased by $16.7 million or 54.7 percent primarily due to stronger high volume real estate sales
- *Annuity income* decreased by $14.1 million or 100 percent mainly due to the decrease in fair market value of the New York Life annuity contract investment from $101 million in last fiscal year to $88 million in current year.
- *Charges for services* decreased by $23.8 million or 25.5 percent primarily due dissolution of the former Agency.

For the fiscal years ended June 30, 2013 and 2012, expenditures for the General Fund by function are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2013	2012	Amount	%
Expenditures:				
Current:				
Elected and Appointed Officials:				
Mayor	$ 1,696	$ 1,676	$ 20	1.2%
Council	3,509	3,698	(189)	-5.1%
City Administrator	36,325	22,321	14,004	62.7%
City Attorney	9,712	10,060	(348)	-3.5%
City Auditor	1,369	1,333	36	2.7%
City Clerk	2,069	2,223	(154)	-6.9%
Departments:				
Administrative Service Department:				
Human Resource Management	5,107	4,645	462	9.9%
Information Technology	7,130	7,199	(69)	-1.0%
Financial Services	9,079	21,056	(11,977)	-56.9%
Public Safety:				
Police Services	186,971	196,096	(9,125)	-4.7%
Fire Services	94,904	111,067	(16,163)	-14.6%
Community Service Department:				
Parks and Recreation	16,690	15,934	756	4.7%
Aging & Health and Human Services	4,945	5,322	(377)	-7.1%
Cultural and community services	306	-	306	n/a
Library	8,957	8,952	5	0.1%
Community and Economic Development	-	9,216	(9,216)	-100.0%
Planning, Building & Neighborhood Preservation	76	91	(15)	-16.5%
Public Works	29,564	30,526	(962)	-3.2%
Housing & Community Development	1,581	794	787	99.1%
Other	8,011	4,758	3,253	68.4%
Capital outlay	38,362	4,996	33,366	667.9%
Debt service:				
Principal repayment	2,047	1,954	93	4.8%
Bond issuance costs	225	-	225	n/a
Interest charges	500	881	(381)	-43.2%
Total expenditures	$ 469,135	$ 464,798	$ 4,337	0.9%



General Fund Expenditures: Significant changes in expenditures are as follows:

- *Public safety* decreased by $25.3 million or 8.2 percent due to vacancy in public safety and other budget concessions. The decrease is offset by an increase in overtime.
- *City elected offices, agencies and departments*, excluding public safety, are reporting a total decrease of $3.7 million in expenditures mainly due to furlough days and other union contract concessions. The increase in the City Administrator Office increase was primarily due to organizational restructuring of the former community and economic development agency into the City Administrator Office as divisions: Cultural Arts Division, Office of Neighborhood Investment, and Office of Economic and Workforce Development.
- *Capital outlay* increase $33.4 million in expenditures mainly due to the State Controller's Office asset transfer review.

Federal and State Grant Fund: The Federal and State Grant Fnnd had a deficit fund balance of $3.7 million as of June 30, 2013 that represents a decrease of $13.2 million from the prior fiscal year. The decrease was primarily due to the end of American Recovery and Reinvestment Act funded grants. Also, federal/state grant fund deficit will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period and are recorded as deferred inflows of resources for $5.5 million as of June 30, 2013.

Low and Moderate Income Housing Asset Fund ("LMIHF"): Upon the dissolution of the former Agency, the City retained the housing activities previously funded by the former agency; the City created LMIHF and transferred the assets and affordable housing activities of the low and moderate income fund to the City. The ending fund balance as of June 30, 2013 was $11.2 million and the fund's loan receivable balance (net) was $171.6 million.

The Special Revenue Bonds Fund: accounts for financing received in connection with the Special Refunding Revenue Bonds (Pension Financing) and for payments on such bonds. The revenues for this fund comes from the "Tax Override Revenues" consist of the revenues generated and collected by the City as proceeds of its annual tax levy authorized Resolution No. 59916 C.M.S adopted in August 1981 by the City Council to fund the City's obligations under Measure R and Measure O. The revenues are used by the City to fund a portion of the City's liability for public safety employee pensions. The ending fund balance as of June 30, 2013 was $16.3 million.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $131.5 million as of June 30, 2013 that represents a decrease of $131.9 million or 50.1 percent from the prior fiscal year. Pursuant to Health and Safety (H&S) Code section 34167.5, State Controller's Office ("SCO") reviewed all asset transfers made by the former Agency to the City after January 1, 2011. Therefore, a decrease of $101.2 million is due to SCO asset transfer review.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements under the business-type column but in more detail.

The portion of net position invested in capital assets was $129.5 million as of June 30, 2013, compared to $122.9 million for the previous fiscal year. The $6.6 million or 5.4 percent increase is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized $4.4 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2013, General Fund had a $68.9 million increase in budgeted revenues between the original and final amended operating budget. The incroase in revenue budget is primarily attributed to property taxes, sales and use tax, business license real estate transfer tax and charges for services from ORSA reimbursements. Actual budgetary basis revenues of $559.6 million were $10.0 million higher than the final amended budget. The variance is due primarily to property tax revenue, real estate transfer tax, and business license.

In addition, there was an $61.5 million increase in appropriations between the original and final amended operating budget for the General Fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multiyear projects, capital improvement projects, and other projects authorized by the City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Actual budgetary basis expenditures of $469.1 million were $16.4 million less than the amended budget. Savings were experienced in all expenditure categories mainly due to budget contingency and project and encumbrance carryforwards for multi-year budgets.

Capital Assets

The City's capital assets, net of depreciation, totaled $1.27 billion as of June 30, 2013 compared to $1.21 billion as of June 30, 2012, an increase of $67.6 million or 5.6 percent. Governmental activities additions of $160.0 million in capital assets included construction in progress and capitalization of infrastructure, facilities and improvements, and furniture, machinery and equipment which met the City's threshold for capitalization.

These additions were offset by retirements and depreciation, the net effect of which was an increase of $63.4 million in additions of capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $4.4 million, net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has committed to funding in the amount of $155.7 million to a number of capital improvement projects for fiscal year 2014 through fiscal year 2015. This projects include building and facilities improvements; parks and open space; sewers and storm drains; streets and sidewalks construction; technology enhancements and traffic improvements. See note 17 for more details in construction commitments.

Debt Administration:

General Obligation Bonds and Other Bond Ratings

A credit rating is a value assigned by one or more of the recognized rating agencies that "grade" a jurisdiction's credit, or financial trustworthiness. The three primary rating agencies are Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services ("S&P"), and Fitch Ratings ("Fitch"). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy and outstanding debt. The City continues to maintain strong credit ratings on the City's existing general obligation bonds from all three national rating agencies despite the difficult financial and economic conditions nationally and locally. The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2013 were as follows:

	Ratings		
Type of Bond	**Moody's**	**S & P**	**Fitch**
General Obligation Bonds	Aa2/Stable	AA-/Stable	A+/Stable
Pension Obligation Bonds	Aa3:A1/Stable	A+/Stable	A/Stable
Tax Allocation Bonds	Ba1[1]	A+:A:A-/Stable	N/A

[1] Rating as of September 5, 2013

On January 30, 2013, Moody's has confirmed the long-term rating of the City's pension obligation bonds and upgrade the outlook on these bonds to "Stable". The stable outlook was a result of Moody's expectation that the City will continue to experience gradual economic improvement and produce stable financial results. Moody's has also affirmed the City's general obligation bonds ratings as shown in the above table.

On September 5, 2013, Moody's confirmed the rating on the Successor Agency to the Oakland Redevelopment Agency's tax allocation bonds. The ratings reflect the credit strength of the agency's both value and size. The strengths that Moody's takes into account are the Agency's large geographic and total project area, sizable incremental and assessed valuation and solid high period of debt service coverage.

General Fund Bonded Debt Limit

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was $1,125.7 million. The total amount of debt applicable to the debt limit was $309.8 million. The resulting legal debt margin was $815.9 million.

Outstanding Debt

As of June 30, 2013, the City had total long-term obligations outstanding of $1.5 billion compared to $1.3 billion outstanding for the prior fiscal year, an increase of 13.0 percent. Of this amount, $309.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.2 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

Outstanding Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase\ (Decrease)	
	2013	2012 (Restated)	2013	2012	2013	2012 (Restated)	Amount	%
General obligation bonds	$ 309,793	$ 326,609	$ -	$ -	$ 309,793	$ 326,609	$ (16,816)	-5.1%
Lease revenue bonds	176,850	210,530	-	-	176,850	210,530	(33,680)	-16.0%
Pension obligation bonds	367,394	174,777	-	-	367,394	174,777	192,617	110.2%
Special assessment debt with government commitments	6,690	7,475	-	-	6,690	7,475	(785)	-10.5%
Accreted interest on appreciation bonds	162,874	157,211	-	-	162,874	157,211	5,663	3.6%
Sewer-bonds and notes payable	-	-	49,001	51,269	49,001	51,269	(2,268)	-4.4%
Unamortized premiums and discounts	20,219	23,176	1,885	2,003	22,104	25,179	(3,075)	-12.2%
Total Bonds Payable	1,043,820	899,778	50,886	53,272	1,094,706	953,050	141,656	14.9%
Notes & Leases payable	47,043	23,638	-	-	47,043	23,638	23,405	99.0%
Other long-term liabilities	437,524	429,556	-	-	437,524	429,556	7,968	1.9%
Total Outstanding Debt	$ 1,528,387	$ 1,352,972	$ 50,886	$ 53,272	$ 1,579,273	$ 1,406,244	$ 173,029	12.3%

The City's overall total long-term obligations increased by $173.0 million compared to the prior fiscal year. The net increase is primarily attributable to the issuance of new debt (Pension obligation bonds series 2012 for $212.5 million; Limited obligation refunding improvement bonds reassessment district for $3.5 million; Master lease – vehicle and equipment for $11.8 million; and Master lease – LED streetlight acquisitions lease financing for $16.2 million). The increase is off-set by scheduled debt service payments for $74.9 million of governmental bonds and $2.3 million of business-type bonds.

Current Year Long-Term Debt Financing:

- ***Taxable Pension Obligation Bonds Series 2012:*** On July 30, 2012, the City issued its $212,540,000 Taxable Pension Obligation Bonds Series 2012 (the "POB Series 2012). The POB Series 2012 were issued to refund a debenture evidencing a portion of the City's unfunded actuarial accrued liability for retirement benefits to members of the Retirement System.
- ***City of Oakland 2012 Limited Obligation Refunding Improvement Bonds Reassessment District No. 99-1.*** On August 30, 2012, the City issued $3,545,000 of Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1 (the "Bonds"). The proceeds were used to refund all of the City's outstanding Oakland Joint Powers Financing Authority's Reassessment Revenue Bonds, Series 1999.
- ***Master Lease – Vehicles and Equipment.*** On May 9, 2013, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of $11,850,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for different types of fleet vehicles and equipment.

- *Master Lease – LED Streetlight Acquisition Lease Financing.* On May 30, 2013, the City of Oakland closed a lease transaction with Banc of America Leasing & Capital LLC in the amount of $16,150,000 for the purpose of financing the acquisition and installation of 30,000 light-emitting diode (LED) streetlamps and related improvements and equipment on and to an equivalent numbers of streetlights to replace high pressure sodium cobra-head streetlamps in the City.

Additional information on the City's long-term debt obligations can be found in Note 11 to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts and concessions, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2012-13.

Oakland is emerging, along with the rest of the East Bay, from the recent Great Recession. Since the recent high of fiscal year 2008-09, tlte City's budget consistently declined through fiscal year 2011-12, increasing for the first time recently in fiscal year 2012-13. The City adopted a balanced budget for fiscal year 2012-13 without layoffs, for the first time in more than four years.

In October 2012, the City issued a Five-Year Financial Plan that forecasted revenues and expenditures. It projected modest revenue growth as the region's economy stabilizes, then beginning in 2015, forecasted that the City will experience revenue growth consistent with long-term trends, in the 4% annual nominal growth range. Property tax, sales tax, business license tax, and real estate transfer tax are all forecasted to grow faster than the rate of inflation

The City of Oakland's unemployment rate decreased to 11.3 percent in June 2013 compared to an average unemployment rate of 14.3 percent for June 2012.

The Bay Area's consumer price index for all urban consumers in June 2013 was 245.935 compared to 239.806 in June 2012 and to the U.S. city average consumer price index (CPI-U) for all urban consumers at 233.504 (Base period: 1982 – 84 = 100).

Estimated population for January 1, 2013 is 399,326 with an estimated total number of households of 159,056, an average household size of 2.5 persons, and a per capita personal income of $31,030.
PERS pension rates, and health care costs have been factored into the City's biennial budget for Fiscal Years 2013-15.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Administrative Service Department, Controller's Office, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093. This report is also available online at http://www.oaklandnet.com.

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BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Position
June 30, 2013
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 287,601	$ 38,341	$ 325,942	$ 179,440
Receivables (net of allowance for uncollectibles of $20,527 for City and $1,955 for Port):				
Accrued interest	248	-	248	25
Property taxes	15,517	-	15,517	-
Accounts receivable	45,929	16,344	62,273	34,052
Grants receivable	29,341	-	29,341	-
Due from Port	6,044	-	6,044	-
Due from Oakland Redevelopment Successor Agency	1,611	-	1,611	-
Due from Pension Trust Funds	62	-	62	-
Inventories	193		193	-
Restricted assets:				
Cash and investments	297,975	5,279	303,254	71,867
Receivables	-	-	-	2,596
Property held for resale	76,966	-	76,966	-
Notes and loans receivable (net of allowance for uncollectibles of $126,707 for the City)	325,705	-	325,705	-
Prepaid expenses	1,924	262	2,186	-
Other	640	-	640	50,784
Net pension asset	327,862	-	327,862	-
Capital assets:				
Land and other capital assets not being depreciated	247,914	23,666	271,580	743,853
Facilities, infrastructures, and equipments, net of depreciation	850,838	152,266	1,003,104	1,455,232
TOTAL ASSETS	2,516,370	236,158	2,752,528	2,537,849
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debts	17,088	-	17,088	14,512
TOTAL DEFERRED OUTFLOWS	17,088	-	17,088	14,512
LIABILITIES				
Accounts payable and other current liabilities	125,145	2,277	127,422	35,660
Accrued interest payable	10,284	106	10,390	9,732
Due to other governments	897	-	897	-
Due to primary government	-	-	-	6,044
Due to Oakland Redevelopment Successor Agency	48,894	-	48,894	-
Unearned revenue	3,756	-	3,756	105,254
Other	12,154	6	12,160	13,336
Non-current liabilities:				
Due within one year	168,927	2,499	171,426	59,296
Due in more than one year	1,359,460	48,387	1,407,847	1,294,620
TOTAL LIABILITIES	1,729,517	53,275	1,782,792	1,523,942
NET POSITION				
Net investment in capital assets	712,606	129,542	842,148	944,974
Restricted for:				
Debt service	13,757	-	13,757	-
Pension	97,723	-	97,723	-
Urban redevelopment and housing	11,207	-	11,207	-
Other purposes	19,819	-	19,819	14,178
Unrestricted	(51,171)	53,341	2,170	69,267
TOTAL NET POSITION	$ 803,941	$ 182,883	$ 986,824	$ 1,028,419

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Activities
For the Year Ended June 30, 2013
(In Thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Port of Oakland
Primary government:								
Governmental activities								
General government	$ 93,942	$ 17,756	$ 8,092	$ -	$ (68,094)	$ -	$ (68,094)	
Public safety	363,597	7,610	17,591	2,062	(336,334)	-	(336,334)	
Community services	107,779	6,342	39,305	-	(62,132)	-	(62,132)	
Community and economic development	81,182	19,025	17,340	-	(44,817)	-	(44,817)	
Public works	75,158	76,098	7,096	24,117	32,153	-	32,153	
Interest on long-term debt	62,744	-	-	-	(62,744)	-	(62,744)	
TOTAL GOVERNMENTAL ACTIVITIES	784,402	126,831	89,424	26,179	(541,968)	-	(541,968)	
Business-type activities:								
Sewer	34,504	52,919	-	-	-	18,415	18,415	
Parks and recreation	643	372	-	-	-	(271)	(271)	
TOTAL BUSINESS-TYPE ACTIVITIES	35,147	53,291	-	-	-	18,144	18,144	
TOTAL PRIMARY GOVERNMENT	$ 819,549	$ 180,122	$ 89,424	$ 26,179	(541,968)	18,144	(523,824)	
Component unit:								
Port of Oakland	$ 309,455	$ 315,518	$ -	$ 37,896				$ 43,959

	Governmental Activities	Business-type Activities	Total	Port of Oakland
General revenues:				
Property taxes	256,333	-	256,333	-
Sales and use taxes	60,494	-	60,494	-
Gas tax	10,004	-	10,004	-
Local taxes:				
Business license	60,371	-	60,371	-
Utility consumption	50,752	-	50,752	-
Real estate transfer	47,406	-	47,406	-
Transient occupancy	15,831	-	15,831	-
Parking	15,565	-	15,565	-
Voter approved special tax	38,247	-	38,247	-
Franchise	16,035	-	16,035	-
Interest and investment income	6,358	(24)	6,334	1,095
Other	7,076	-	7,076	41,031
Transfers	1,911	(1,911)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	586,383	(1,935)	584,448	42,126
Extraordinary loss from State Controller's Office asset transfer review and California Department of Finance disallowances	(156,902)	-	(156,902)	-
Changes in net position	(112,487)	16,209	(96,278)	86,085
Net position, beginning of year, as previously reported	919,168	166,972	1,086,140	963,447
Prior year adjustment due to implementation of GASB Statement No. 65	(2,740)	(298)	(3,038)	(21,113)
Net position, beginning of year, as restated	916,428	166,674	1,083,102	942,334
NET POSITION, END OF YEAR	$ 803,941	$ 182,883	$ 986,824	$ 1,028,419

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2013
(In Thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Special Revenue Bonds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 186,526	$ -	$ 970	$ 17,740	$ 3,119	$ 74,091	$ 282,446
Receivables (net of allowance for uncollectibles of $15,698):							
Accrued interest	162	-	-	19	3	64	248
Property taxes	7,496	-	-	-	-	8,021	15,517
Accounts receivable	36,074	257	1,297	1	-	8,208	45,837
Grants receivable	-	24,844	-	2,178	-	2,319	29,341
Due from component unit	6,044	-	-	-	-	-	6,044
Due from Oakland Redevelopment Successor Agency Trust Fund	-	-	1,434	177	-	-	1,611
Due from Pension Trust Funds	62	-	-	-	-	-	62
Due from other funds	41,535	-	178	-	-	-	41,713
Notes and loans receivable (net of allowance for uncollectibles of $126,707)	53	120,842	171,575	377	-	32,858	325,705
Restricted cash and investments	97,723	3,631	-	80,368	13,136	90,847	285,705
Property held for resale	-	-	9,137	67,829	-	-	76,966
Other	513	111	-	-	-	16	640
TOTAL ASSETS	$ 376,188	$ 149,685	$ 184,591	$ 168,689	$ 16,258	$ 216,424	$ 1,111,835
LIABILITIES							
Accounts payable and accrued liabilities	$ 95,960	$ 12,711	$ 1	$ 4,754	$ 1	$ 8,375	$ 121,802
Due to Oakland Redevelopment Successor Agency Trust Fund	18,575	990	225	29,104	-	-	48,894
Due to other funds	178	11,592	-	81	-	1,086	12,937
Due to other governments	873	-	-	-	-	24	897
Unearned revenue	3,756	-	-	-	-	-	3,756
Other	4,644	1,735	15	666	-	5,087	12,147
TOTAL LIABILITIES	123,986	27,028	241	34,605	1	14,572	200,433
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	3,553	-	-	-	-	6,016	9,569
Unavailable revenue - notes and loans	53	120,842	171,575	377	-	32,858	325,705
Unavailable revenue - grants and others	2,953	5,518	134	2,179	-	2,151	12,935
Unavailable revenue - loans to OSRA	-	-	1,434	-	-	-	1,434
TOTAL DEFERRED INFLOWS	6,559	126,360	173,143	2,556	-	41,025	349,643
FUND BALANCES (DEFICITS)							
Restricted	165,400	3,631	11,207	80,368	16,257	137,054	413,917
Committed	-	-	-	-	-	16,075	16,075
Assigned	58,452	-	-	51,160	-	10,213	119,825
Unassigned	21,791	(7,334)	-	-	-	(2,515)	11,942
TOTAL FUND BALANCES (DEFICITS)	245,643	(3,703)	11,207	131,528	16,257	160,827	561,759
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 376,188	$ 149,685	$ 184,591	$ 168,689	$ 16,258	$ 216,424	$ 1,111,835

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position for Governmental Activities
June 30, 2013
(In Thousands)

Fund balances - total governmental funds			$ 561,759
Amounts reported for governmental activities in the statement of net position are different due to the following:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Primary government capital assets, net of depreciation	$	1,098,752	
Less: internal service funds' capital assets, net of depreciation		(9,901)	1,088,851
Net pension asset is recognized in the statement of net position as an asset; however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.			327,862
Prepaid insurance premium on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.			1,924
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.			
Interest payable on long-term debt for primary government	$	(10,284)	
Add: Interest payable on long-term debt for internal service fund		58	(10,226)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred inflows of resources in the governmental funds.			349,643
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.			
Long-term liabilities	$	(1,528,387)	
Less: long-term liabilities for internal service funds		13,704	(1,514,683)
Deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			17,088
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net position.			(18,277)
NET POSITION OF GOVERNMENTAL ACTIVITIES			$ 803,941

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013
(In Thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Special Revenue Bonds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	$ 214,495	$ -	$ -	$ -	$ -	$ 39,993	$ 254,488
Sales and use tax	48,818	-	-	-	-	11,676	60,494
Gas tax	-	-	-	-	-	10,004	10,004
Local taxes:							
Business license	60,371	-	-	-	-	-	60,371
Utility consumption	50,752	-	-	-	-	-	50,752
Real estate transfer	47,406	-	-	-	-	-	47,406
Transient occupancy	12,454	-	-	-	-	3,377	15,831
Parking	7,947	-	-	-	-	7,618	15,565
Voter approved special tax	-	-	-	-	-	38,247	38,247
Franchise	15,829	206	-	-	-	-	16,035
Licenses and permits	1,373	-	-	-	-	11,958	13,331
Fines and penalties	22,971	156	-	-	-	3,530	26,657
Interest and investment income	458	418	278	824	39	4,313	6,330
Charges for services	69,442	463	103	1,928	-	14,906	86,842
Federal and state grants and subventions	1,391	98,351	-	25	-	3,035	102,802
Other	6,329	2,670	26,097	-	4	4,178	39,278
TOTAL REVENUES	560,036	102,264	26,478	2,777	43	152,835	844,433
EXPENDITURES							
Current:							
Elected and Appointed Officials							
Mayor	1,696	-	-	-	-	134	1,830
Council	3,509	-	-	-	-	-	3,509
City Administrator	36,325	8,344	1,297	4,449	-	1,900	52,315
City Attorney	9,712	48	-	-	-	1,138	10,898
City Auditor	1,369	-	-	-	-	-	1,369
City Clerk	2,069	-	-	-	-	-	2,069
Departments							
Administrative Service Department							
Human Resource Management	5,107	-	-	-	-	-	5,107
Information Technology	7,130	17	-	-	-	606	7,753
Financial Services	9,079	586	-	-	-	565	10,230
Public Safety							
Police Services	186,971	10,950	-	-	120,403	13,058	331,382
Fire Services	94,904	5,701	-	-	89,597	9,852	200,054
Community Service Department							
Parks and Recreation	16,690	98	-	6	-	4,466	21,260
Aging & Health and Human Services	4,945	37,491	290	-	-	18,252	60,978
Cultural and community services	306	-	-	-	-	125	431
Library	8,957	123	-	-	-	13,543	22,623
Planning, Building & Neighborhood Preservation	76	470	-	-	-	22,070	22,616
Public Works	29,564	7,124	-	3,065	-	32,744	72,497
Housing & Community Development	1,581	16,589	23,975	-	-	1,275	43,420
Other	8,011	172	-	1,086	8	3,966	13,243
Capital outlay	38,362	25,199	298	34,289	-	5,757	103,905
Debt service							
Principal repayment	2,047	2,325	-	-	36,598	33,916	74,886
Bond issuance costs	225	-	-	-	1,370	363	1,958
Payment to refund bond escrow agent	-	-	-	-	-	1,217	1,217
Interest charges	500	208	-	-	34,623	24,770	60,101
TOTAL EXPENDITURES	469,135	115,445	25,860	42,895	282,599	189,717	1,125,651
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	90,901	(13,181)	618	(40,118)	(282,556)	(36,882)	(281,218)
OTHER FINANCING SOURCES (USES)							
Issuance of bonds	-	-	-	-	212,540	3,545	216,085
Capital leases	-	-	-	-	-	16,150	16,150
Premiums (discount) on issuance of bonds	-	-	-	-	(1,170)	41	(1,129)
Payment to refund bond escrow agent	-	-	-	-	-	(3,018)	(3,018)
Property sale proceeds	67	-	-	-	-	-	67
Insurance claims and settlements	3,726	-	-	-	-	-	3,726
Transfers in	3,293	-	-	9,364	72,677	34,283	119,617
Transfers out	(106,960)	-	-	-	-	(10,513)	(117,473)
TOTAL OTHER FINANCING SOURCES (USES)	(99,874)	-	-	9,364	284,047	40,488	234,025
Extraordinary loss from State Controller's Office asset transfer review and California Department of Finance disallowances	(1,313)	-	-	(101,191)	-	-	(102,504)
NET CHANGE IN FUND BALANCES	(10,286)	(13,181)	618	(131,945)	1,491	3,606	(149,697)
Fund balances - beginning	255,929	9,478	10,589	263,473	14,766	157,221	711,456
FUND BALANCES (DEFICIT) - ENDING	$ 245,643	$ (3,703)	$ 11,207	$ 131,528	$ 16,257	$ 160,827	$ 561,759

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities

For the Year Ended June 30, 2013

(In Thousands)

Net change in fund balances - total governmental funds			$	(149,697)
Amounts reported for governmental activities in the statement of activities are different due to the following:				
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period.				
Primary government:				
Capital asset acquisition	$	156,715		
Disposal of properties		(42,201)		
Adjustment for SCO asset transfer review on property transfers		40,058		
Depreciation		(52,126)		
Less: net changes of capital assets within internal service funds		1,011		103,457
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.				
Change in deferred inflows of resources	$	(38,692)		
Adjustment for SCO asset transfer review on notes and loans transfers (net of allowances)		14,340		
Less: amortization of depository agreement and others		(695)		(25,047)
Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.				11,253
Changes to the net pension asset, as reported in the statement of activities, do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.				173,488
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.				
Debt and capital lease principal and accreted interest payments	$	91,832		
Issuance of bonds and notes		(216,085)		
Capital leases		(16,150)		
Payment to refunding escrow		4,235		
Net premium and discount on bonds		1,129		(135,039)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.				
Amortization of bond premiums and discounts	$	1,828		
Amortization of deferred outflows of refunding loss		(1,458)		
Amortization of prepaid bond insurance premium on long-term debt		(295)		
Accreted interest on appreciation bonds		(22,609)		
Changes in accrued interest on bonds and notes payable		(674)		
Changes in Coliseum Authority pledge obligation		4,513		
Changes in mandated environmental remediation obligations		978		
Changes on postemployment benefits other than pension benefits (OPEB)		(28,669)		
Changes on fair market value of the interest swap agreement		3,957		(42,429)
Adjustment of extraordinary loss on the State Controller's Office (SCO) assets transfer review:				
SCO assets transfer review on property transfers	$	(40,058)		
SCO assets transfer review on notes and loans transfers (net of allowances)		(14,340)		(54,398)
The net income of activities of internal service funds is reported with governmental activities				6,220
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			$	(112,487)

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Fund Net Position
Proprietary Funds
June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	$ 37,809	$ 532	$ 38,341	$ 5,155
Accounts receivables (net of uncollectibles of $1,342 and $3 for the enterprise funds and internal service funds, respectively)	16,343	1	16,344	92
Inventories	-	-	-	193
Restricted cash and investments	4,496	783	5,279	12,270
Total Current Assets	58,648	1,316	59,964	17,710
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	23,448	218	23,666	380
Facilities, equipment and infrastructure, net of depreciation	149,785	2,481	152,266	9,521
Total capital assets	173,233	2,699	175,932	9,901
Prepaid Expenses	262	-	262	-
Total Non-current Assets	173,495	2,699	176,194	9,901
TOTAL ASSETS	232,143	4,015	236,158	27,611
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	2,271	6	2,277	3,343
Accrued interest payable	106	-	106	58
Due to other funds	-	-	-	28,776
Other liabilities	6	-	6	7
Bonds, notes payable, and capital leases	2,499	-	2,499	3,479
Total Current Liabilities	4,882	6	4,888	35,663
Non-current Liabilities:				
Bonds, notes payable, and capital leases	48,387	-	48,387	10,225
Total Non-current Liabilities	48,387	-	48,387	10,225
TOTAL LIABILITIES	53,269	6	53,275	45,888
NET POSITION				
Net investment in capital assets	126,843	2,699	129,542	9,199
Unrestricted	52,031	1,310	53,341	(27,476)
TOTAL NET POSITION	$ 178,874	$ 4,009	$ 182,883	$ (18,277)

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 372	$ 372	$ -
Sewer services	52,919	-	52,919	-
Charges for services	-	-	-	46,579
Other	-	-	-	475
TOTAL OPERATING REVENUES	52,919	372	53,291	47,054
OPERATING EXPENSES				
Personnel	14,392	86	14,478	15,897
Supplies	813	191	1,004	6,699
Depreciation and amortization	5,401	302	5,703	2,274
Contractual services and supplies	2,148	6	2,154	1,229
Repairs and maintenance	64	19	83	3,800
General and administrative	4,881	20	4,901	5,045
Rental	1,093	14	1,107	1,653
Other	3,314	5	3,319	4,897
TOTAL OPERATING EXPENSES	32,106	643	32,749	41,494
OPERATING INCOME (LOSS)	20,813	(271)	20,542	5,560
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	(23)	(1)	(24)	28
Interest expense	(2,398)	-	(2,398)	(106)
Other (settlements, rental), net	-	-	-	971
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,421)	(1)	(2,422)	893
INCOME/(LOSS) BEFORE TRANSFERS	18,392	(272)	18,120	6,453
Transfers out	(1,511)	(400)	(1,911)	(233)
Change in net position	16,881	(672)	16,209	6,220
Net position - Beginning, as previously reported	162,291	4,681	166,972	(24,497)
Prior year adjustment due to implementation of GASB Statement No. 65	(298)	-	(298)	-
Net position - beginning, as restated	161,993	4,681	166,674	(24,497)
NET POSITION - ENDING	$ 178,874	$ 4,009	$ 182,883	$ (18,277)

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 52,766	$ 1	$ 52,767	$ 46,617
Cash received from tenants for rents	-	372	372	-
Cash from other sources	-	-	-	1,446
Cash paid to employees	(14,392)	(86)	(14,478)	(15,897)
Cash paid to suppliers	(12,868)	(249)	(13,117)	(21,228)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,506	38	25,544	10,938
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	403
Repayment of interfund loans	-	-	-	(6,082)
Transfers out	(1,511)	(400)	(1,911)	(233)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(1,511)	(400)	(1,911)	(5,912)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(9,835)	(103)	(9,938)	(3,285)
Lease Proceeds	-	-	-	11,850
Long-term debt:				
Repayment of long-term debt	(2,386)	-	(2,386)	(223)
Interest paid on long-term debt	(2,386)	-	(2,386)	(106)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(14,607)	(103)	(14,710)	8,236
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(23)	(1)	(24)	28
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(23)	(1)	(24)	28
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,365	(466)	8,899	13,290
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	32,940	1,781	34,721	4,135
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 42,305	$ 1,315	$ 43,620	$ 17,425
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 20,813	$ (271)	$ 20,542	$ 5,560
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Other receipts	-	-	-	971
Depreciation and amortization	5,401	302	5,703	2,274
Changes in assets and liabilities:				
Receivables	(153)	1	(152)	11
Inventories	-	-	-	27
Other assets	(64)	-	(64)	-
Accounts payable and accrued liabilities	(491)	6	(485)	2,095
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,506	$ 38	$ 25,544	$ 10,938
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	$ 37,809	$ 532	$ 38,341	$ 5,155
Restricted cash and investments	4,496	783	5,279	12,270
TOTAL CASH AND CASH EQUIVALENTS	$ 42,305	$ 1,315	$ 43,620	$ 17,425
NON CASH ITEMS:				
Amortization of bond premiums	$ (118)	$ -	$ (118)	$ -
Amortization of bond insurance premium	12	-	12	-
	$ (106)	$ -	$ (106)	$ -

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

(In Thousands)

	Pension Trust Funds	Oakland Redevelopment Successor Agency Trust Fund	Other Private Purpose Trust Funds
ASSETS			
Cash and investments	$ 8,621	$ 75,166	$ 7,258
Receivables:			
Accrued interest and dividends	1,189	380	3
Accounts receivable	-	-	2
Investments and others	12,990	7,998	-
Due from primary government	-	48,894	-
Restricted:			
Cash and investments:			
Short-term investments	11,278	82,682	-
U.S. government bonds	66,722	4,600	-
U.S. corporate bonds and mutual funds	119,593	-	-
Domestic equities and mutual funds	204,279	-	-
International equities and mutual funds	56,868	-	-
Securities lending collateral	8,876	-	-
Loans receivable, net	-	13,437	-
Property held for resale	-	100,271	-
TOTAL ASSETS	490,416	333,428	7,263
DEFERRED OUTFLOWS			
Unamortized loss on refunding of debts	-	2,953	-
TOTAL DEFERRED OUTFLOWS	-	2,953	-
LIABILITIES			
Accounts payable and accrued liabilities	21,437	16,181	186
Due to primary government	62	1,611	-
Securities lending liabilities	8,876	-	-
Other	-	47	-
Non-current liabilities:			
Due within one year	-	25,667	-
Due in more than one year	-	458,636	-
TOTAL LIABILITIES	30,375	502,142	186
NET POSITION			
Net position (deficit) held in trust	$ 460,041	$ (165,761)	$ 7,077

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Pension Trust Funds	Oakland Redevelopment Successor Agency Trust Fund	Other Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Member	$ 7	$ -	$ -
City pension contributions	210,000	-	-
Total contributions	210,007	-	-
Trust receipts	-	65,174	308
Investment income:			
Net appreciation in fair value of investments	29,441	50	-
Interest	5,472	517	(11)
Dividends	4,438	-	-
Securities lending	130	-	-
TOTAL INVESTMENT INCOME	39,481	567	(11)
Less investment expenses:			
Investment expenses	(1,566)	-	-
Borrowers rebates and other agent fees on securities lending transactions	(32)	-	-
Total investment expenses	(1,598)	-	-
NET INVESTMENT INCOME	37,883	567	(11)
Federal and state grants	-	11,534	-
Other income	43	221	286
TOTAL ADDITIONS	247,933	77,496	583
DEDUCTIONS:			
Benefits to members and beneficiaries:			
Retirement	36,318	-	-
Disability	21,797	-	-
Death	1,806	-	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	59,921	-	-
Administrative expenses	893	4,595	92
Community and Economic Development	-	52,167	205
Aging & Health and Human Services	-	-	133
Police services	-	-	237
Other	-	-	25
Capital outlay	-	-	6
Payment to County-Auditor Controller	-	32,478	-
Interest on debt	-	28,574	-
TOTAL DEDUCTIONS	60,814	117,814	698
Extraordinary gain from State Controller's Office asset transfer review and California Department of Finance disallowances	-	156,902	-
Change in net position	187,119	116,584	(115)
Net position - beginning as previously reported	272,922	(278,259)	7,192
Adjustment due to implementation of GASB Statement No 65	-	(4,086)	-
Net position - beginning as restated	272,922	(282,345)	7,192
NET POSITION - ENDING	$ 460,041	$ (165,761)	$ 7,077

The notes to the basic financial statements are an integral part of this statement.

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NOTES TO BASIC FINANCIAL STATEMENTS

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City of Oakland, California, (the City or Primary Government) was incorporated on May 25, 1852, by the State of California and is organized and exists under and pursuant to the provisions of State law. The Mayor/Council form of government was established in November 1998 through Charter amendment. The legislative authority is vested in the City Council and the executive authority is vested in the Mayor with administrative authority resting with the City Administrator.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are combined with the data of the Primary Government within the governmental activities column in the government-wide financial statements and governmental funds in the fund financial statements.

Blended Component Units:

a) Oakland Redevelopment Successor Agency (ORSA)

On June 28, 2011, Assembly Bill X1 26 ("AB X1 26") was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. At the City's meeting on January 10, 2012, the City Council affirmed its decision as part of resolution number 83679 C.M.S. to serve as the Oakland Redevelopment Successor Agency ("ORSA"), effective February 1, 2012, and as such is a component unit of the City. Also, on the same meeting, the City Council elected as part of resolution number 83680 C.M.S. to retain the housing assets, functions and powers previously performed by the former Agency.

The ORSA was created to serve as a custodian for the assets and to wind down the affairs of the former Oakland Redevelopment Agency (Agency). The ORSA is a separate public entity from the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor; two County of Alameda (County) representatives; the County Superintendent of Education; the Chancellor of California Community Colleges; and a representative of the largest special district from the taxing entities.

In general, the ORSA's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The ORSA will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the ORSA's custodial role, the ORSA is reported in a fiduciary fund (private-purpose trust fund).

b) Oakland Joint Powers Financing Authority (JPFA)

The Oakland Joint Powers Financing Authority (JPFA) was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and was composed of the City and the former Agency. The Oakland City Council serves as the governing board for JPFA. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the statement of net position. AB X1 26 as amended by AB 1484 was enacted and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The dissolution law provides that ORSA is a separate legal entity from the City, with ORSA holding all of the transferred assets and obligations of the former Redevelopment Agency (other than the housing assets). Therefore, ORSA stepped into former Redevelopment Agency's role as member of the JPFA as of February 1, 2012 per AB X1 26.

Discretely Presented Component Unit – Port of Oakland

The Port of Oakland (Port) is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport and the Port of Oakland Marine Terminal Facilities. Although the Port has a significant relationship with the City, it is fiscally independent and does not provide services solely to the City and, therefore, is presented discretely. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (Board of Commissioners) that is appointed by the City Council, upon nomination by the Mayor. The Board of Commissioners appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

Complete financial statements of the individual component units may be obtained from:

City of Oakland,
Controller's Office
150 Frank H. Ogawa Plaza, 6th Floor, Suite 6353
Oakland, CA 94612-2093

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided among funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from its discretely presented component unit for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and local taxes, grants, licenses, charges for services, and interest and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are recorded as revenues and receivables to the extent installments are considered available. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred revenue.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial activities and resources of the general government except those required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business, utility and real estate transfer taxes, interest and investment income, and charges for services.

The ***Federal/State Grant Fund*** accounts for various Federal and State grants and certain state allocations used or expended for a specific purpose, activity or program.

The ***Low and Moderate Income Housing Asset Fund ("LMIHF")*** is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing program retained by the City following the dissolution of the former Agency. Prior to the dissolution of redevelopment agencies, the LMIHF accounted for the Agency's affordable housing activities, including the 20% and 5% redevelopment property tax revenue (i.e. former tax increment) set-aside for low and moderate income housing and related expenditures. Upon dissolution of the former Agency and the City Council's election to retain the housing activities previously funded by the former Agency, the City created LMIHF and transferred the assets and affordable housing activities.

The ***Municipal Capital Improvement Fund*** accounts primarily for monies pertaining to the Oakland Museum of California and the Scotlan Convention Center financings. This fund may be used for the lease, acquisition, construction or other improvements of public facilities.

The ***Special Revenue Bonds Fund*** accounts for financing received in connection with the Special Refunding Revenue Bonds (Pension Financing) and for payments on such bonds. The revenues for this fund comes from the "Tax Override Revenues" consist of the revenues generated and collected by the City as proceeds of its annual tax levy authorized Resolution No. 59916 C.M.S adopted in August 1981 by the City Council to fund the City's obligations under Measure R and Measure O. The revenues are used by the City to fund a portion of the City's liability for employee pensions. The unfunded actuarial accrued liability ("UAAL") is amortized to 2026.

The City reports the following major enterprise fund:

The ***Sewer Service Fund*** accounts for the sewer service charges received by the City based on the use of water by East Bay Municipal Utility District customers residing in the City. The proceeds from the sewer charges are used for the construction and maintenance of sanitary sewers and storm drains and the administrative costs of the fund.

Additionally, the City reports the following fund types:

The ***Internal Service Funds*** account for the purchases of automotive and rolling equipment; radio and other communication equipment; the repair and maintenance of City facilities; acquisition, maintenance and provision of reproduction equipment and services; acquisition of inventory provided to various City departments on a cost reimbursement basis; and procurement of materials, supplies, and services for City departments.

The ***Pension Trust Funds*** account for closed benefit plans that cover uniformed employees hired prior to July 1976 and non-uniformed employees hired prior to September 1970.

The ***Private Purpose Trust Funds*** include: (a) the Oakland Redevelopment Successor Agency Trust Fund, which accounts for the custodial responsibilities that are assigned to the Oakland Redevelopment Successor Agency with passage of AB X1 26 (b) the Private Purpose Trust Fund, which accounts for assets and liabilities from the former Oakland Redevelopment Agency and for the operations of the Youth Opportunity Program and certain gifts that are not related to Agency projects or parks, recreation and cultural, activities and (c) The Private Pension Trust Fund, which accounts for the employee deferred compensation plan.

Charges between the City and the Port are not eliminated because the elimination of these charges would distort the direct costs and revenues reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: sewers, golf courses, vehicle acquisition and maintenance, radio and telecommunication support charges, charges for facilities maintenance, and reproduction services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the Oakland Redevelopment Successor Agency, Pension Trust Funds, and funds held by outside custodians. Investments are generally carried at fair value. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less, and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. Changes in fair value of investments are recognized as a component of interest and investment income.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets. Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The proprietary funds' investments in the City's cash and investment pool are, in substance, demand deposits and are therefore considered to be cash equivalents.

Property Taxes

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 City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property on January 1. Property taxes 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. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2013.

Due From/Due To Other Funds and Internal Balances

During the course of operations, numerous transactions and borrowings occur between individual funds for goods provided or services rendered and funds that have overdrawn their share of pooled cash and interfund loans. In the fund financial statements, these receivables and payables are classified as "due from other funds" and "due to other funds", respectively. In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Net receivables and payables between the governmental activities and business-type activities are classified as internal balances.

Interest Rate Swap Agreement

The City entered into an interest rate swap agreement to modify the interest rate on outstanding debt. Refer to Note 11 for additional information.

Interfund Transfers

In the fund financial statements, interfund transfers are recorded as transfers in/out except for certain types of transactions that are deseribed below:

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses. In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized using the straight-line method over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of bond premiums and discounts nad gains or losses from refunding of debt are recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Inventories

Inventories, consisting of materials and supplies held for consumption, are stated at cost. Cost is calculated using the average cost method. Inventory items are considered expensed when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffie signals, and parks), sewers and storm drains, and capital assets acquired prior to 1980, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. These items are protected, kept unencumbered, cared for, and preserved by the City. The proceeds from the sale of any pieces of the collection are used to purchase other acquisitions for the collection. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

The City's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Sewer and storm drains	50 years
Infrastructure	5-50 years

The Port's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Building and improvements	5-50 years
Container cranes	25 years
Infrastructure	10-50 years
Other equipment	5-10 years

Property Held for Resale

Property held for resale is acquired as part of the former Agency's redevelopment program. These properties are both residential and commercial. Costs of administering the projects are charged to the municipal capital improvement fund as expenditures are incurred. A primary function of the redevelopment process is to prepare land for specific private development. For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use.

During the period it is held by the City, property held for resale may generate rental or operating income. This income is recognized as it is earned in the City's statement of activities and generally is recognized in the City's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The City does not depreciate property held for resale, as it is the intention of the City to only hold the property for a period of time until it can be resold for development.

Net Pension Asset

In February 1997 and July 2012, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 15 for the accounting treatment of the net pension asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2013, the City has deferred outflows of resources related to the unamortized loss on refunding of debts. The losses on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, notes and loan receivables, grant receivables/advances from the federal and State, and other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available.

Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

The City's policy and its agreements with employee groups permit employees to accumulate earned but unused vested vacation, sick leave and other compensatory time. All earned compensatory time is accrued when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they are due and payable.

Retirement Plans

City employees participate in one of four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and the Miscellaneous and the Public Safety Plans of the California Public Employees' Retirement System (PERS) (collectively, the Retirement Plans). Employer contributions and member contributions made by the employer to the Retirement Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Retirement Plans. Refer to Note 15 for additional information.

Other Postemployment Benefits (OPEB)

The OPEB plan covers Police, Fire, and Miscellaneous employees. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. Retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula. See Note 16 for additional information.

Pollution Remediation Obligations

Under the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City recorded remediation liabilities related to its pollution remediation activities. See Note 17 for additional information.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balances for government funds are made up of the following:

- *Restricted Fund Balance:* includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law.
- *Committed Fund Balance:* includes amounts that can only be used for the specific purposes determined by City Council ordinance, which is the City's highest level of decision-making authority. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance:* comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Administrator and department heads can assign available fund balance to be used for specific purposes during the budget process. The City Council approves the City budgets. This category includes the City's encumbrances, project carry-forwards, and continuing appropriation.
- *Unassigned Fund Balance:* are amounts technically available for any purpose. It's the residual classification for the General Fund and includes all amounts not contained in the other classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2013, were distributed as follows (in thousands):

	General	Federal/ State Grant Fund	LMIHF[1]	Municipal Capital Improvement	Special Revenue Bonds Fund	Other Governmental Funds	Total
Restricted for:							
Capital projects	$ -	$ 3,631	$ -	$ 80,368	$ 16,257	$ 44,973	$ 145,229
Pension obligations:							
Annuity	97,723	-	-	-	-	-	97,723
PFRS	67,677	-	-	-	-	-	67,677
Debt service	-	-	-	-	-	92,081	92,081
Property held for resale	-	-	9,137	-	-	-	9,137
Housing projects	-	-	2,070	-	-	-	2,070
Subtotal	165,400	3,631	11,207	80,368	16,257	137,054	413,917
Committed for:							
Library, Kid's First and museum trust	-	-	-	-	-	16,075	16,075
Assigned for:							
Property held for resale	-	-	-	51,160	-	-	51,160
Capital projects	58,452	-	-	-	-	10,213	68,665
Subtotal	58,452	-	-	51,160	-	10,213	119,825
Unassigned	21,791	(7,334)	-	-	-	(2,515)	11,942
Total	**$ 245,643**	**$ (3,703)**	**$ 11,207**	**$ 131,528**	**$ 16,257**	**$ 160,827**	**$ 561,759**

[1] Low and Moderate Income Housing Asset Fund

Extraordinary Items:

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates). The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent.

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012. Under this legislation, the California Department of Finance (DOF) and the California State Controller's Office (SCO) have varying degrees of responsibility and oversight. The ultimate outcome of issues raised by State authorities, such as the rejection of using ORSA assets to pay obligations or the return of asset transfers to the ORSA.

In a letter dated May 17, 2013, DOF completed its review of the ORSA Due Diligence Reviews (DDR) and adjusted $32.5 million in cash and cash equivalents. Therefore, the balance of Non-Low and Moderate Income Housing Asset Fund or Other Funds Accounts (OFA) available for distribution to the affected taxing entities is $32.5 million. As a result, ORSA issued a payment of $32.5 million to the County-Auditor Controller to be deposited into the trust fund for distribution to the taxing entities.

Pursuant to Health and Safety (H&S) Code Section 34167.5, the SCO reviewed all assets transfers made by the former Oakland Redevelopment Agency to the City or any other public agency after January 1, 2011. The review included, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source. In a review report dated August 21, 2013, SCO rescinded a total of $170 million in asset transfers. The total amount consists of real properties, cash and cash equivalents and notes and loan receivables. The SCO asset transfer review and the DOF disallowance were recorded as of June 30, 2013 as an extraordinary gain in ORSA's financial statements. Accordingly, the State Controller Office's asset transfer review of the former Agency's assets from City to the Oakland Redevelopment Successor Agency (ORSA) was recorded as extraordinary loss in the City's governmental funds and the City governmental activities. The extraordinary item differed from the SCO asset transfer review by $13 million due to $32.1 million of ORSA's basis in the properties transferred, less DOF's disallowance of third-party contracts of $4.6 million, and transfers of notes and loans receivable of $49.3 million that was adjusted for $35.0 million of allowance for doubtful notes and loans receivable .

The components of the extraordinary gains and losses recorded in the financial statements are as follows (in thousands):

Governmental Funds:		
Transfers assets back to ORSA as of June 30, 2013		
Transfers out of City asset class of property held for resale		$ (56,418)
Transfer out for disallowed third party contracts back to ORSA		(41,455)
Transfer out for additional DOF disallowed third party contracts back to ORSA		(4,631)
Extraordinary loss reported in governmental funds due to SCO asset transfer review		(102,504)
Governmental Activities:		
Transfers out of capital asset back to ORSA		(36,963)
Transfers out of City notes and loans receivable	$ (49,290)	
Adjust for allowance for doubtful notes and loans receivables	34,950	(14,340)
Transfers out of cash to ORSA for properties sold to ORSA	$ (35,162)	
ORSA's basis of properties purchased from the City	32,067	(3,095)
Extraordinary loss reported on Statement of Activities on State Controller's Office asset transfer review and California Department of Finance disallowances		$ (156,902)

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* reflects consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
    - Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation.
    - A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. As of June 30, 2013, restricted net position for the governmental activities was $142.5 million as reported on the government-wide statement of net position, and approximately $12.8 million of which was restricted by enabling legislation.
- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

Adoption of New Pronouncements

In November 2010, Governmental Accounting Standards Board (GASB) issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,* is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which does not conflict with or contradict other GASB pronouncements. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and incorporates these financial measures into the definitions of the required components of the residual measure, which will be renamed as net position, rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2012, the City adopted the provisions of GASB Statement No. 65 and restated the beginning net position in the amount of $3.0 million in the primary government, $21.1 million in the Port, and $4.1 million in the ORSA to write off unamortized bond issuance costs that were previously reported as assets. In addition, the remaining balance of prepaid insurance were reclassified from deferred charges to assets and the remaining unamortized loss on refunding was reclassified from contra liabilities to deferred outflows of resources.

New Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.

- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement No. 67 is effective for financial statements for the City's fiscal year ending June 30, 2014. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. This statement provides guidance for determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is intended to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement is intended to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issues related to amounts associated with contributions, if any, made by a state of local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

The City maintains a cash and investment pool consisting of City funds and cash held for OMERS, PFRS, and Port. The City's funds are invested according to the investment policy adopted by the City Council. The objectives of the policy are legality, safety, liquidity, diversity, and yield. The policy addresses soundness of financial institutions in which the City can deposit funds, types of investment instruments permitted by the California Government Code, duration of the investments, and the percentage of the portfolio that may be invested in:

- United States Treasury securities (subject to restrictions by the Nuclear Free Ordinance);
- federal agency issues;
- bankers' acceptances;
- commercial paper;
- medium term corporate notes and deposit notes;
- negotiable certificates of deposit;
- certificates of deposit;
- State of California Local Agency Investment Fund;
- money market mutual funds;
- local city/agency bonds;
- State of California bonds;
- secured obligations and agreements;
- repurchase agreements; and
- reverse repurchase agreements.

The City's investment policy stipulates that the collateral to back up repurchase agreements be priced at market value and be held in safekeeping by the City's primary custodian. Additionally, the City Council has adopted certain requirements prohibiting investments in nuclear weapons makers and restricting investments in U.S. Treasury bills and notes due to their use in funding nuclear weapons research and production.

Other deposits and investments are invested pursuant to the governing bond covenants, deferred compensation plans, or retirement systems' investment policies. Under the investment policies, the investment counsel is given the full authority to accomplish the objectives of the bond covenants or retirement systems subject to the discretionary limits set forth in the policies.

Total City deposits and investments at fair value are as follows (in thousands):

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Port
Cash and investments	$ 287,601	$ 38,341	$ 91,045	$ 416,987	$ 179,440
Restricted cash and investments	297,975	5,279	546,022	849,276	71,867
Securities lending collateral	-	-	8,876	8,876	-
TOTAL	$ 585,576	$ 43,620	$ 645,943	$ 1,275,139	$ 251,307
Deposits				$ 57,591	$ 2,895
Investments				1,217,548	248,412
TOTAL				$ 1,275,139	$ 251,307

Primary Government

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the City may be unable to recover the value of the investments or collateral securities in the possession of an outside party. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the Custody Agreement. The City's investments subject to Custodial Credit Risk Category is very low.

At June 30, 2013, the carrying amount of the City's deposits was $57.6 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $2.0 million was insured by the Federal Deposit Insurance Corporation (FDIC) and $55.6 million was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. The collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

Credit Risk: Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality securities. Under the City investment policy, short-term debt shall be rated at least A-1 by Standard and Poor's (S&P), P-1 by Moody's Investors Service or F-1 by Fitch Ratings at the time security is purchased. Long-term debt shall be rated at least A by Standard and Poor's, Moody's Investors Service or Fitch Ratings. Since these securities are permitted by State law, investing in them is also the most effective way to maintain legal compliance. Per the California Debt and Management Advisory Commission ("CDIAC"), it is recommended that the portfolio be monitored, as practical, for subsequent changes in credit rating of existing securities. As of June 30, 2013, approximately 87% of the pooled investments was invested in "AAA" and "AA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2013 (in thousands):

Pooled Investments

		Ratings as of June 30, 2013			
	Fair Value	AAA/Aaa	AA/Aaa	A1/P1	Not Rated
U.S. Government Agency Securities	$ 162,730	$ -	$ 162,730	$ -	$ -
U.S. Government Agency Securities (Discount)	177,964	-	177,964	-	-
Money Market Mutual Funds	93,110	93,110	-	-	-
Local Agency Investment Fund (LAIF)	49,749	-	-	-	49,749
Negotiable Certificates of Deposit	12,999	-	-	12,999	-
State of California, General Obligation Bonds	998	-	-	998	-
Total Pooled Investments	**$ 497,550**	**$ 93,110**	**$ 340,694**	**$ 13,997**	**$ 49,749**

Restricted Investments

		Ratings as of June 30, 2013			
	Fair Value	AAA/Aaa	AA/Aaa	A1/P1	Not Rated
U.S. Government Agency Securities	$ 3,001	$ -	$ 3,001	$ -	$ -
U.S. Government Agency Securities (Discount)	11,499	-	11,499	-	-
U.S. Treasury Securities (Discount)	500	-	500	-	-
Money Market Mutual Funds	123,840	123,840	-	-	-
Commercial Papers (Discount)	354	-	-	354	-
Local Government Bonds	73,957	-	-	-	73,957
Annuity Contract	88,000	-	-	-	88,000
Total Restricted Investments	**$ 301,151**	**$ 123,840**	**$ 15,000**	**$ 354**	**$ 161,957**

Concentration of Credit Risk: The City has an investment policy related to the City's cash and investment pool, which is subject to annual review. Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund, and proceeds of or pledged revenues for any tax and revenue anticipation notes. Per the Investment Policy, investments should conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the policy. Certain other investments are governed by bond covenants which do not restrict the amount of investment in any one issuer.

Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2013 are as follows (in thousands):

Investment Type / Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal Farm Credit Bank	$ 86,186	10.79%
Federal National Mortgage Association (Fannie Mae)	101,441	12.70%
Federal Home Loan Bank	83,632	10.47%
Federal Home Loan Mortgage Corporation (Freddie Mac)	83,935	10.51%
Local Government Bond:		
Oakland Joint Powers Financing Authority	73,957	9.26%
Annuity Contract:		
New York Life Insurance Company	88,000	11.02%

The following table shows the diversification of the City's portfolio (in thousands):

Pooled Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	$ 162,730	32.71%
U.S. Government Agency Securities (Discount)	177,964	35.77%
Money Market Mutual Funds	93,110	18.71%
Local Agency Investment Fund (LAIF)	49,749	10.00%
Negotiable Certificates of Deposit	12,999	2.61%
State of California, General Obligation Bonds	998	0.20%
Total Pooled Investments	**$ 497,550**	**100.00%**

Restricted Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	$ 3,001	1.00%
U.S. Government Agency Securities (Discount)	11,499	3.82%
U.S. Treasury Securities (Discount)	500	0.17%
Money Market Mutual Funds	123,840	41.12%
Commercial Papers (Discount)	354	0.12%
Local Government Bond	73,957	24.55%
Annuity Contract	88,000	29.22%
Total Restriced Investments	**$ 301,151**	**100.00%**

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. The longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates.

As a means for limiting its exposure to changing interest rates, Section 53601 of the State of California Government Code and the City's Investment Policy limit certain investments to short-term maturities such as certificates of deposit and commercial paper, whose maturities are limited 360 days and 270 days, respectively. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants. The City continues to purchase a combination of short- term and long-term investments to minimize such risks.

The City uses the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2013, the City had the following investments and original maturities (in thousands):

Pooled Investments

Investment Type	Fair Value	Interest Rates (%)	Maturity: 12 Months or Less	1 - 3 Years	3 - 5 Years
U.S. Government Agency Securities	$ 162,730	0.18 - 1.47	$ 13,599	$ 84,710	$ 64,420
U.S. Government Agency Securities (Discount)	177,964	0.02 - 0.09	177,964	-	-
Money Market Mutual Funds*	93,110	0.03 - 0.09	93,110	-	-
Local Agency Investment Fund (LAIF)*	49,749	0.24	49,749	-	-
Negotiable Certificates of Deposit	12,999	0.15 - 0.28	12,999	-	-
State of California, General Obligation Bonds	998	1.11	-	998	-
Total Pooled Investments	**$ 497,550**		**$ 347,421**	**$ 85,708**	**$ 64,420**

* weighted average maturity used.

Restricted Investments

Investment Type	Fair Value	Interest Rates (%)	Maturity: 12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years or More
U.S. Government Agency Securities	$ 3,001	0.424	$ 3,001	$ -	$ -	$ -
U.S. Government Agency Securities (Discount)	11,499	0.02 - 0.09	11,499	-	-	-
U.S. Treasuries (Discount)	500	0.01	500	-	-	-
Money Market Mutual Funds[1]	123,840	0.01	123,840	-	-	-
Commercial Papers (Discount)	354	0.01	354	-	-	-
Local Government Bond	73,957	4.86	7,603	15,429	16,027	34,897
Annuity Contract	88,000	2.40	-	-	-	88,000
Total Restricted Investments	**$ 301,151**		**$ 146,797**	**$ 15,429**	**$ 16,027**	**$122,897**

[1] weighted average maturity used.

Foreign Currency Risk: This is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. The City only invests in U.S. dollar denominated obligations. This successfully eliminates all risk of principal erosion due to fluctuations in the values of foreign currencies.

Other Disclosures: As of June 30, 2013, the City's investment in LAIF is $49.7 million. A total amount invested by all public agencies in LAIF at that date is approximately $21.2 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $58.8 billion, 98.04% is invested in non-derivative financial products and 1.96% in structured notes and asset-backed securities. As of June 30, 2013, LAIF has an average life-month end of 278 days. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Investments - Oakland Redevelopment Successor Agency ("ORSA")

Cash and Investments held by ORSA

ORSA follows the investment policy of the City, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. The Agency also has investments subject to provisions of the bond indentures of the former Agency's various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the City's cash and investment pool, LAIF, obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other permitted investments. The Agency's cash and invesnnents consist of the following at June 30, 2013:

Cash and Investments		Amount
Cash and investments (unrestricted)	$	75,166
Restricted cash and investments		87,282
Total cash and investments	$	162,448

As of June 30, 2013, ORSA invested a total amount of $57.6 million with U.S. Government Agency Securities, which is comprised of $47.6 million from its unrestricted accounts, $10.0 million from the Tax Allocation Bonds and the Housing Set-Aside Bonds reserve and capitalized interest. The remaining balance is invested in Money Market Funds, which comprised of $9.5 million from unrestricted accounts, and $77.3 million in Money Market Funds from the Tax Allocation Bonds and the Housing Set-Aside Bonds reserve and capitalized interest.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository financial institution, ORSA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, ORSA will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of ORSA's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the ORSA's name.

As of June 30, 2013, the carrying amount of the ORSA's deposits was $18.1 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $250 thousand, and the bank balance of $17.8 million are collateralized with secnrities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

ORSA invests in individual investments. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the ORSA employs the trust department of a bank or trnstee as the custodian of certain ORSA investments, regardless of their form.

Interest Rate Risk: This risk represents the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA investment policy has mitigated interest rate risk by establishing policies over liquidity. As of June 30, 2013, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

			Maturities	
Type of Investment	Fair Value	Interest Rates (%)	12 Months of Less	1 - 3 Years
U.S. Government Agency Securities	$ 15,609	0.16 - 0.62	$ 15,609	$ -
U.S. Government Agency Securities (Discount)	31,998	0.03	31,998	-
Money Market Mutual Funds	9,500	0.03 - 0.09	9,500	-
Total	57,107		$ 57,107	$ -
Deposits	18,059			
	$ 75,166			

Restricted Cash and Investments

			Maturities	
Type of Investment	Fair Value	Interest Rates (%)	12 Months of Less	1 - 3 Years
U.S. Government Agency Securities	$ 4,003	0.30	$ -	$ 4,003
U.S. Government Agency Securities (Discount)	6,000	0.02	6,000	-
Money Market Mutual Funds	77,279	0.01	77,279	-
Total	$ 87,282		$ 83,279	$ 4,003

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. ORSA's investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures. The following tables show ORSA's credit risk as rated by Standard & Poor's and Moody's for the Pooled and Restricted portfolios as of June 30, 2013 (in thousands):

Pooled Cash and Investments

		Ratings as of June 30, 2013	
Type of Investment	Fair Value	Aaa/AAA	Aaa/AA
U.S. Govornment Agency Securities	$ 15,609	$ 15,609	$ -
U.S. Govornment Agency Securities (Discount)	31,998	-	31,998
Money Market Mutual Funds	9,500	9,500	-
Total Cash and Investments	$ 57,107	$ 25,109	$ 31,998

Restricted Cash and Investments

Type of Investment		Fair Value		Ratings as of June 30, 2013 Aaa/AAA		Aaa/AA
U.S. Govornment Agency Securities	$	4,003	$	4,003	$	-
U.S. Govornment Agency Securities (Discount)		6,000		-		6,000
Money Market Mutual Funds		77,279		77,279		-
Total Cash and Investments	$	87,282	$	81,282	$	6,000

Concentration of Credit Risk: Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on ORSA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. The following table shows the diversification of the ORSA's portfolio as of June 30, 2013 (in thousands):

Pooled Cash and Investments

Type of Investment		Fair Value	Percentage of Portfolio
U.S. Govornment Agency Securities	$	15,609	27.3%
U.S. Govornment Agency Securities (Discount)		31,998	56.0%
Money Market Mutual Funds		9,500	16.7%
Total Cash and Investments	$	57,107	100.0%

Restricted Cash and Investments

Type of Investment		Fair Value	Percentage of Portfolio
U.S. Govornment Agency Securities	$	4,003	4.6%
U.S. Govornment Agency Securities (Discount)		6,000	6.9%
Money Market Mutual Funds		77,279	88.5%
Total Cash and Investments	$	87,282	100.0%

The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2013 (in thousands):

Investment Type / Issuer		Amount	Percent of ORSA's Investment Portfolio
U.S. Government Agency Securities:			
Federal National Mortgage Association (Fannie Mae)	$	18,609	12.9%
Federal Home Loan Bank		22,999	15.9%
Federal Home Loan Mortgage Corporation (Freddie Mac)		16,003	11.1%

Restricted Cash and Investments with Fiscal Agents

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds. As of June 30, 2012, the amounts held by the trustees aggregated $87.3 million. All restricted investments held by trustees as of June 30, 2013 were invested in U.S. treasury notes, and money market mutual funds, and were in compliance with the bond indentures.

Investments – Retirement Plans

The Retirement Plans' investment policies authorize investment in domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans, and real estate. The Retirement Plans' investment portfolios are managed by external investment managers. During the year ended June 30, 2013, the number of external investment managers was eleven for PFRS and one for OMERS.

Oakland Municipal Employees' Retirement System (OMERS)

Deposits in the City's Investment Pool

Cash and deposits consisted of cash in treasury held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2013, OMERS' share of the City's investment pool totaled $60,124.

Investments

OMERS' investment policy authorizes investments in domestic common stocks and bonds. OMERS' investment policy states that the asset allocation of the investment portfolio target shall be 70% domestic equity and 30% domestic fixed income. As of June 30, 2012, OMERS' investment portfolio consists of shares of two investment funds (Funds). OMERS invests in the American Century Equity Mutual Fund and the HighMark Employee Benefit Flexible Bond Commingled Fund. Specific guidelines for the Funds are detailed in the prospectus or Declaration of Trust, for each individual fund.

The following summarizes OMERS' investment portfolio as well as the interest rate and the weighted average maturities of the Funds as of June 30, 2013 (in thousands):

Investment	Fair Value	Yield	Weighted Average Maturity
Short-Term Investments	$ 47	-	*
Equity Investments			
American Century Equity Mutual Fund	3,219	-	-
Fixed Income Investments			
HighMark Employee Benefit Flexible Bond Commingled Fund	1,281	2.5%	5.8 Years
Total Investments	$ 4,547		

* Weighted average maturity is less than 0.1 year.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS' investment policy states that the fixed income portfolio shall not exceed 8% investment in below investment grade securities (rated Ba/BB or below by at least one Nationally Recognized Statistical Rating Organization (NRSRO)) in fair market value. As of June 30, 2013, OMERS was invested in the HighMark Employee Benefit Flexible Bond Commingled Fund which has a credit quality rating of AA.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, OMERS may not be able to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. As the City holds all cash and certificates of deposit on behalf of OMERS, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

OMERS does not have any investments that are not registered in the name of OMERS and are either held by the counterparty or the counterparty's trust department or agent, but not in OMERS's name.

<u>Oakland Police and Fire Retirement System (PFRS)</u>

Deposits in the City's Investment Pool

As of June 30, 2013, cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2013, PFRS' share of the City's investment pool totaled $8,253,821.

As of June 30, 2013, PFRS also had cash and cash deposits not held in the City's investment pool totaled $367,523.

Investments

PFRS' investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income securities, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non-U.S. issued fixed income securities denominated in foreign currencies. PFRS' investment portfolio is managed by external investment managers, except for the bond iShares which are managed internally. During the year ended June 30, 2013, the number of external investment managers was eleven.

The PFRS investments are also restricted by the City Charter. In November 2006, City voters passed Measure M to amend the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard as defined by the California Constitution.

PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. PFRS' investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the fixed income managers to invest in securities with a minimum rating of B or higher as long as the portfolio maintains an average credit quality of BBB (investment grade using Standard & Poor's or Moody's ratings).

PFRS' investment policy states that investments in derivative securities known as Collateralized Mortgage Obligations (CMOs) shall be limited to a maximum of 20% of a broker account's fair value with no more than 5% in any one issue. CMOs are mortgage-backed securities that create separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair value of CMOs are considered sensitive to interest rate changes because they have embedded options.

The investment policy allows for each fixed income asset manager to have a maximum of 10% of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25% in each manager's portfolio.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for PFRS' fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 2.59 years as of June 30, 2013.

As of June 30, 2013, PFRS had the following fixed income investments by category (in thousands):

Short-Term Investment Duration:

Investment Type	Fair Value	Modified Duration (Year)
Short-Term Investment Funds	$11,231	n/a

Long-Term Investment Duration:

Investment Type	Fair Value	Modified Duration (Year)
Government Bonds:		
U.S. Treasuries	$ 66,722	1.56
U.S. Government Agency Securities	26,188	4.83
Total Government Bonds	92,910	
U.S. Corporate and Other Bonds		
Corporate Bonds	80,980	1.92
TIPS Bond Fund (iShares)	6,690	7.75
Other Government Bonds	4,454	9.42
Total U.S. Corporate and Other Bonds	92,124	
Total Fixed Income Investments	$ 185,034	2.59
Securities Lending Collateral	$ 8,876	-

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following tables provide information as of June 30, 2013 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P / Moody's Rating	Fair Value
Short-Term Investment Funds	Not Rated	$11,231

The following tables provide information as of June 30, 2013 concerning credit risk of fixed income and long-term investment rating (in thousands):

S & P/Moody's Rating	Fair Value	Percent of Total Fair Value
AAA/Aaa	$ 130,348	70.4%
AA /Aa	13,181	7.1%
A/A	12,254	6.6%
BBB/Baa	9,873	5.3%
BB/Ba	15	0.0%
B/B	339	0.2%
Not Rated	19,024	10.4%
Total Fixed Income Investments	$ 185,034	100.0%

The following tables provide information as of June 30, 2013 concerning credit risk of securities lending collateral ratings (in thousands):

S&P / Moody's Rating	Fair Value
Not Rated	$8,876

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2013, no investment in any single insurer exceeded 5% of PFRS' net assets.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, there will be an inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. As the City holds cash and certificates of deposit on behalf of PFRS, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name. For all other PFRS deposits, the collateral must be held by the pledging financial institution's trust department and is considered held in PFRS' name.

The City, on behalf of PFRS, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. PFRS does not have any investments that are not registered in the name of PFRS and are either held by the counterparty or the counterparty's trust department or agent, but not in PFRS' name.

Foreign Currency Risk: Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Currency hedging is allowed under the PFRS investment policy for defensive purposes only. The investment policy limits currency hedging to a maximum of 25% of the portfolio value.

The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2013 (in thousands):

Foreign Currency	Total
Australian Dollar	$ 1,326
Brazilian Real	420
Canadian Dollar	358
Chinese Yuan Renminbi	28
Danish Krone	1,018
Euro	9,149
Hong Kong Dollar	4,590
Indonesian Rupian	323
Japanese Yen	4,796
Malaysian Ringgit	94
Mexican Peso	603
Norwegian Kroner	297
Singapore Dollar	687
South Korean Won	1,204
Swedish Krona	482
Swiss Franc	4,196
Turkish Lira	257
United Kingdom Pound	6,732
Total Foreign Currency	**$ 36,560**

Securities Lending Transactions

PFRS is authorized to enter into securities lending transactions which are short-term collateralized loans of PFRS securities to brokers-dealers with a simultaneous agreement allowing PFRS to invest and receive earnings on the loan collateral for a loan rebate fee. All securities loans can be terminated on demand by either PFRS or the borrower, although the average term of such loans is one week.

The Bank of New York Mellon administers the securities lending program. The administrator is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults. PFRS does not match the maturities of investments made with cash collateral with the securities on loan.

As of June 30, 2013, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with The Bank of New York Mellon requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2013 (in thousands):

Securities Lending
Investments and Collateral Received (At Fair Value)

Securities on loan:		
U.S. Government and agencies	$	1,690
U.S. Corporate Bonds		428
U.S. Equity		4,711
Non-U.S. Equity		1,760
Total Securities on Loan	$	8,589
Invested Cash Collateral Received:		
Repurchase Agreements	$	8,876
Total Invested Cash Collateral Received	$	8,876

Fair Value Highly Sensitive to Change in Interest Rates: The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. PFRS has invested in collateralized mortgage obligations (CMOs), which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders and shortening the life of the senior bonds. The following table shows PFRS' investments in CMOs as of June 30, 2013 (in thousands):

Security Name	Weighted Average Coupon Rate	Weighted Average Maturity (Years)	Fair Value	Percent of Total Investments
Commercial Mortgage Pass-Through	3.69%	21.1	$ 1,682	0.37%

Discretely Presented Component Unit – Port of Oakland

The Port's cash, investments and deposits consisted of the following at June 30, 2013 (in thousands):

Cash on hand	$	626
Bank Deposits and Deposits in Escrow		2,269
Investments		248,412
Total Cash and Investments	$	251,307

Deposits in Escrow consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

Investments

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Unused bonds proceeds are on deposit with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the Amended and Restated Master Trust Indenture, dated as of April 1, 2006 (the Restated Indenture). There were no investments pertaining to the Intermediate Lien Debt. Escrow funds are on deposit with an escrow agent. At June 30, 2013 the Port had the following investments (in thousands):

			Maturities	
Type of Investment	**Fair Value**	**Credit Rating**	**Less than 1 Year**	**1 - 5 Years**
U.S. Treasury Notes	$ 57,896	Aaa[1]	$ -	$ 57,896
Government Securities Money Market Mutual Funds	120	Aaa[1]	120	-
City Investment Pool	190,396	Not Rated	190,396	-
Total Investments	**$ 248,412**		**$ 190,516**	**$ 57,896**

[1] Per Moody's

Investments Authorized by Debt Agreements

The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Lien Master Trust Indenture dated as of October 1, 2007 and the applicable Supplemental Indentures (Intermediate Trust Indenture, together with the Senior Trust Indenture, the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, Obligations of any State in the U.S., Prime Commercial Paper, FDIC Insured Deposits, Certificates of Deposit/Banker's Acceptance, Money Market Mutual Funds, State-sponsored Investment Pools, Investment Contracts, and Forward Delivery Agreements.

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the Port's policy that most bond proceeds are invested in permitted investment provisions of the Port's Trust Indentures with a short-term maturity.

Credit Risk: Provisions of the Port's Trust Indenture prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the trust indentures, including agreements or financial institutions that must meet certain ratings.

Concentration of Credit Risk: The Trust Indenture places no limit on the amount the Port may invest in any one issuer. There were no investments that exceeded 5% of the total invested funds.

Custodial Credit Risk: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the ability to recover the value of the investments or collateral securities in the possession of an outside party may be doubtful. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party. To protect against custodial credit risk, all securities owned by the Port are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port under the terms of the Restated Trust Indenture.

The Port had investments held by a third party bank trust department in the amount of $58,016,000 at June 30, 2013. The carrying amount of Port deposits in escrow was $2,269,000 at June 30, 2013. Bank balances and escrow deposits of $250,000 at June 30, 2012 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of $1,839,000 as of June 30, 2013, was exposed to custodial credit risk by not being insured or collateralized.

Cash and Investments with the City of Oakland

Pursuant to the City Charter, Port operating revenues are deposited in the City Treasury. These funds are commingled in the City's investment pool. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily balance on deposit and the earnings of the investments.

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Successor Agency are related to advances and interfund loans made by the City for projects, loans, and services. The receivable amounts of ORSA relate to project advances made by ORSA for the City. The internal service funds' borrowing will be repaid over a reasonable period of time as described in Note 18. The composition of interfund balances and transfers as of June 30, 2013, is as follows (in thousands):

Due From/Due To Other Funds

Receivables	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 1,086
	Federal/State Grant Fund	11,592
	Municipal Capital Improvement	81
	Internal Service Funds	28,776
	Subtotal General Fund	41,535
Low and Moderate Income Housing Asset Fund (LMIHF)	General Fund	178
Total		$ 41,713

Interfund Transfers:

Transfers Out	Transfers In	Amount	
General Fund	Other Governmental Funds	$ 34,283	(1)
	Special Revenue Bonds Fund	72,677	(2)
Other Governmental Funds	General Fund	1,149	(3)
	Municipal Capital Improvement Fund	9,364	(4)
Sewer Service Fund	General Fund	1,511	(5)
Nonmajor Parks & Recreation Fund	General Fund	400	(6)
Internal Service Funds	General Fund	233	(7)
Total		**$ 119,617**	

(1) The $34.3 million transferred from the General Fund consists of transfers made to provide funding for the following:
- $10.9 million for the Kids' First Children's Program.
- $23.2 million for debt service payments.
- $0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District.

(2) The $72.7 million transferred from the General Fund to Special Revenue Bond Fund for debt service payments.

(3) The $1.1 million transfer from Other Governmental Funds to General Fund as one-time contribution to general purpose budget and for City's claims and liability payments.

(4) The $9.4 million transfer from Other Governmental Funds to Municipal Capital Improvement Fund for City capital improvement projects such as critical Information Technology projects.

(5) The $1.5 million transfer from the Sewer Service Fund to the General Fund is to provide funding for $0.6 million for City-wide lease payments and $0.9 million for City's claims and liability payments.

(6) The $0.4 million transfer from the Parks and Recreation Fund to the General Fund as contribution for general fund purposes as approved in the Budget.

(7) The $0.2 million transfer from the Internal Service Fund to the General Fund is to provide funds for City's claims and liability payments.

(5) MEMORANDUMS OF UNDERSTANDING

The City and the Port have Memorandums of Understanding (MOUs) relating to: general obligation bonds issued by the City for the benefit of the Port; various administrative, personnel, south airport police security, aircraft rescue and fire fighters, and financial services (Special Services); police, fire, public street cleaning and maintenance, and similar services (General Services) provided by the City to the Port; and Lake Merritt payments. Payments are made upon execution of appropriate agreements and periodic findings and authorizations from the Board.

Special Services and Aircraft Rescue & Fire Fighters (ARFF)

Payments for special services and ARFF are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Third Clause and have priority over certain other expenses of Port revenues. Special services and ARFF totaled $3,916,000 and are included in Operating Expenses. At June 30, 2013, $3,899,000 was accrued as a current liability by the Port and as a receivable by the City.

General Services and Lake Merritt Trust Services

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2012, the Port accrued approximately $1,012,000 of payments for General Services as a current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately $1,133,000 to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in 2013. Subject to adequate documentation from the City, and subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust services.

Golf Course Lease with the Port

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of the public golf course by the City. The lease commenced in 2003 when the Port delivered a completed 164.90 acres golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site. The golf course is leased to a third party and the minimum annual rental is $270,000 payable in twelve installments of $22,500 per month, which is then split 50/50 between the Port and the City.

(6) NOTES AND LOANS RECEIVABLE

Primary Government

The composition of the City's notes and loans receivable as of June 30, 2013, is as follows (in thousands):

Type of Loan	General Fund	Federal/ State Grant Fund	LMIHF[1]	Municipal Capital Improvement	Other Governmental Funds	Total
Pass-through Loans	$ -	$ 1,081	$ -	$ -	$ -	$ 1,081
HUD Loans	-	142,005	-	-	-	142,005
Economic Development Loans and Other	53	6,481	266,330	377	36,085	309,326
Less: Allowance for Uncollectible Accounts	-	(28,725)	(94,755)	-	(3,227)	(126,707)
Total Notes and Loans Receivable, Net	$ 53	$ 120,842	$ 171,575	$ 377	$ 32,858	$ 325,705

[1] Low and Moderate Income Housing Asset Fund

As of June 30, 2013, the City has a total of $325.7 million net notes and loans receivable, which is not expected to be received in the next twelve months. All of the City's notes and loans receivables are offset with deferred inflows of resources in the governmental funds as the collection of those notes and loans are not expected within the City's availability period.

Prior to effective date of the Redevelopment Dissolution Law, California Community Redevelopment Law required that at least 20% of the incremental tax revenues generated from certain redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this former requirement, the City established its 20% Housing Program and an additional 5% of the former tax increment to offer financial assistance to qualified developers, families, and individuals by providing loans at "below market" rates. Upon dissolution of the former Agency, the City assumed the housing activity function of the former Agency. All loans receivable relating to the Low and Moderate Income Housing Program have been transferred from the former Agency to the LMIHF, which was established as of February 1, 2012 pursuant to City Council resolution no. 83680 C.M.S. As of June 30, 2013, loans receivable relating to the LMIHF program totaled approximately $171.6 million, net of allowance for uncollectible accounts.

Notes and Loans Receivables Held by ORSA

Composition of loans receivable as of June 30, 2013 is as follows:

Housing development project loans	$ 1,462
Economic development loans	60,095
Gross notes and loans receivable	61,557
Allowance for uncollectible	(48,120)
Total notes and loans receivable, net	$ 13,437

As of June 30, 2013, ORSA has a total of $13.4 million net notes and loans receivable, which is not expected to be received in the next twelve months. The decrease in notes and loans receivable is mainly as a result of the State Controller's Office asset transfer review of $49.3 million (net of allowance of $34.9 million).

(7) CAPITAL ASSETS AND LEASES

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2013, is as follows (in thousands):

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES					
Capital assets, not being depreciated:					
Land [1]	$ 81,289	$ 8,148	$ 4,159	$ 1,111	$ 86,389
Intangibles (easements)	2,607	-	-	-	2,607
Museum collections	761	32	-	-	793
Construction in progress	96,172	113,631	-	(51,678)	158,125
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	180,829	121,811	4,159	(50,567)	247,914
Capital assets, being depreciated:					
Facilities and improvements [1]	780,088	30,381	40,922	6,635	776,182
Furniture, machinery and equipment	185,003	7,896	9,183	4,546	188,262
Infrastructure	610,269	-	-	39,386	649,655
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,575,360	38,277	50,105	50,567	1,614,099
Less accumulated depreciation:					
Facilities and improvements	329,370	24,162	2,871	-	350,661
Furniture, machinery and equipment	156,654	8,538	9,105	-	156,087
Infrastructure	234,813	21,700	-	-	256,513
TOTAL ACCUMULATED DEPRECIATION	720,837	54,400	11,976	-	763,261
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	854,523	(16,123)	38,129	50,567	850,838
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 1,035,352	$ 105,688	$ 42,288	$ -	$ 1,098,752

[1] The additions, deletion and transfers include the State Controllers's Office asset review pursuant to Health and Safety Code Section 34167.5 dated August 21, 2013. See Note 2 on extraodinary items for more details.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
BUSINESS-TYPE ACTIVITIES:					
Sewer Service Fund:					
Capital assets, not being depreciated:					
Land	$ 4	$ -	$ -	$ -	$ 4
Construction in progress	15,261	8,915	-	(732)	23,444
Total capital assets, not being depreciated	15,265	8,915	-	(732)	23,448
Capital assets, being depreciated:					
Facilities and improvements	311	-	-	-	311
Furniture, machinery and equipment	2,934	919	-	-	3,853
Sewer and storm drains	243,257	-	-	732	243,989
Total capital assets, being depreciated	246,502	919	-	732	248,153
Less accumulated depreciation:					
Facilities and improvements	195	21	-	-	216
Furniture, machinery and equipment	1,054	507	-	-	1,561
Sewer and storm drains	91,718	4,873	-	-	96,591
Total accumulated depreciation	92,967	5,401	-	-	98,368
Total capital assets, being depreciated, net	153,535	(4,482)	-	732	149,785
SEWER SERVICE FUND CAPITAL ASSETS, NET	$ 168,800	$ 4,433	$ -	$ -	$ 173,233
Parks and Recreation Fund:					
Capital assets, not being depreciated:					
Land	$ 218	$ -	$ -	$ -	$ 218
Total capital assets, not being depreciated	218	-	-	-	218
Capital assets, being depreciated:					
Facilities and improvements	4,391	42	-	-	4,433
Furniture, machinery and equipment	369	61	-	-	430
Infrastructure	85	-	-	-	85
Total capital assets, being depreciated	4,845	103	-	-	4,948
Less accumulated depreciation:					
Facilities and improvements	1,807	279	-	-	2,086
Furniture, machinery and equipment	332	18	-	-	350
Infrastructure	26	5	-	-	31
Total accumulated depreciation	2,165	302	-	-	2,467
Total capital assets, being depreciated, net	2,680	(199)	-	-	2,481
PARKS AND RECREATION FUND CAPITAL ASSETS, NET	$ 2,898	$ (199)	$ -	$ -	$ 2,699
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 171,698	$ 4,234	$ -	$ -	$ 175,932

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental Activities:		
General Government	$	9,243
Public Safety		5,625
Community Service Department		10,246
Community and Economic Development		
Planning, Building & Neighborhood Preservation		3,117
Housing & Community Development		75
Public Works		23,820
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets		2,274
Total	$	54,400
Business-Type Activities:		
Sewer	$	5,401
Parks and Recreation		302
Total	$	5,703

Discretely Presented Component Unit – Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2013, is as follows (in thousands):

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	$ 520,805	$ -	$ (762)	$ 3,192	$ 523,235
Intangibles (noise easements and air rights)	23,493	-	-	-	23,493
Construction in progress	175,086	116,424	(3,331)	(91,054)	197,125
Total capital assets, not being depreciated	719,384	116,424	(4,093)	(87,862)	743,853
Capital assets, being depreciated:					
Building and improvements	851,721	56	(7,008)	3,663	848,432
Container cranes	153,775	-	-	-	153,775
Systems and structures	1,574,781	-	(1,130)	77,314	1,650,965
Intangibles (software)	11,052	-	-	2,339	13,391
Other equipment	75,973	163	(1,853)	4,546	78,829
Total capital assets, being depreciated	2,667,302	219	(9,991)	87,862	2,745,392
Less accumulated depreciation:					
Building and improvements	472,661	30,088	6,171	-	496,578
Container cranes	83,817	5,254	-	-	89,071
Systems and structures	592,858	57,298	1,058	-	649,098
Intangibles (software)	1,658	1,105	-	-	2,763
Other equipment	49,949	4,489	1,788	-	52,650
Total accumulated depreciation	1,200,943	98,234	9,017	-	1,290,160
Total capital assets, being depreciated, net	1,466,359	98,015	(974)	87,862	1,455,232
CAPITAL ASSETS, NET	$ 2,185,743	$ 18,409	$ (5,067)	$ -	$ 2,199,085

On June 10, 2013, the Port completed the combined sale and lease of approximately 64-acres of land in total known as Oak-to-Ninth. Buildings, improvements, infrastructure and certain land was transferred to a developer in exchange for approximately $18,000,000, of which $4,500,000 was paid in cash and $13,500,000 financed with a promissory note payable in full to the Port on or before October 1, 2015. The net book value of the assets transferred was approximately $4,977,000.

Capital Leased to Others

The capital assets leased to others at June 30, 2013, consist of the following (in thousands):

Land	$	447,870
Container cranes		153,775
Building and improvements		215,556
Building and other facilities		1,045,178
Subtotal		1,862,379
Less accumulated depreciation		(631,192)
Net capital assets, on lease	$	1,231,187

Operating Leases

A major portion of the Port's capital assets is held for lease. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the leases are classified as operating leases.

Certain maritime facilities are leased under agreements, which provide the tenants with preferential, but nonexclusive, use of the facilities. Certain leases provide for rentals based on gross revenues of the leased premises or, in the case of marine terminal facilities, on annual usage of the facilities. Such leases generally provide for minimum rentals and certain preferential assignments provide for both minimum and maximum rentals.

A summary of revenues from long-term leases for the year ended June 30, 2013, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$178,085
Contingent rentals in excess of minimums	16,272
Total	$194,357

The Port and Ports America Outer Harbor Terminal, LLC, a private company, entered into a long-term concession and lease agreement on January 1, 2010 for the operation of berths 20-24 for 50 years. A $60 million upfront fee was paid to the Port in fiscal year 2010. At June 30, 2013, the unamortized net upfront fee is approximately $50 million and the amounts are reported as unearned revenue in the statement of net position.

The Port's goals for the concession and lease agreement for berths 20-24 was, among other things, to maintain the continuous use and occupancy of berths 20-24 by a rent-paying tenant and maximize the annual revenue guarantee over the life of the concession, while also transferring the risk and responsibility for the berths to the concessionaire to the greatest extent commercially reasonable to do so. In furtherance of these goals, the concession and lease agreement provides that the concessionaire is responsible for any redevelopment of the berths. Except for certain emissions reductions measures which the concessionaire is obligated to implement, the improvements to be made by the concessionaire are at the discretion of the concessionaire, subject to market conditions and the concessionaire's ability to compete for and handle cargo under the then existing condition of the facilities at Berths 20-24.

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

Year	Rental Revenues
2014	$ 166,746
2015	164,079
2016	162,643
2017	142,566
2018	178,585
2019 - 2023	488,001
2024 - 2028	262,325
2029 - 2033	215,992
2034 - 2038	236,753
2039 - 2043	254,948
2044 - 2048	278,455
Thereafter	764,601
Total	$ 3,315,694

The Port turned over the operation of its Marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received for the succeeding years ending June 30 are as follows (in thousands):

Year	Rental Revenues
2014	$ 390
2015	401
2016	413
2017	426
2018	438
2019 - 2023	2,398
2024 - 2028	2,780
2029 - 2033	3,222
2034 - 2038	3,736
2039 - 2043	4,331
2044 - 2048	5,020
Thereafter	6,874
Total	$ 30,429

(8) PROPERTY HELD FOR RESALE

Primary Government

A summary of changes in Property Held for Resale is as follows (in thousands):

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Property held for resale	$ 133,383	$ -	$ 56,417	$ 76,966

On August 21, 2013, the State Controller's Office pursuant to Health and Safety Code section 34167.5, issued the asset transfer review and reversed the March 3, 2011 agreement entered between the City and the former Redevelopment Agency for the purchase and sale agreement of various Agency properties to the City. The reversal resulted in a transfer of $56,417 in property held for resale to the ORSA. See extraordinary item under Note 2 for a detailed discussion.

Oakland Redevelopment Successor Agency

As of June 30, 2013, ORSA has a total $100.3 million for properties booked at the lower of cost or net realizable value. The changes represent the State Controller Office asset transfer review dated August 21, 2013. On May 29, 2013, ORSA received its finding of completion under Health and Safety Code section 34179.7 from California Department of Finance (DOF). On July 2, 2013, the City approved resolution no 2013-0022 C.M.S approving a Long-Range Property Management Plan ("LRPMP") addressing the disposition and use of former Redevelopment Agency properties and authorizing the disposition of properties pursuant to the plan, subsequently, the Oversight Board followed suit on July 15, 2013 with approving resolution no. 2013-014 for the same. DOF has yet to approve the plan. The table below shows a summary of the changes in the Property Held for Resale (in thousands):

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Property held for resale	$ 38,957	$ 93,381	$ 32,067	$ 100,271

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2013, for the City's individual major funds, nonmajor governmental funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities:			
General Fund	$ 31,751	$ 64,209	$ 95,960
Federal/State Grant Fund	12,711	-	12,711
Low and Moderate Income Housing Asset Fund	1	-	1
Municipal Capital Improvement Fund	4,754	-	4,754
Special Revenue Bonds Fund	1	-	1
Other governmental funds	8,376	-	8,375
Subtotal	57,594	64,209	121,802
Internal service funds	3,343	-	3,343
TOTAL	$ 60,937	$ 64,209	$ 125,145

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Business-type Activities:			
Sewer Service Fund	$ 2,271	$ -	$ 2,271
Nonmajor Fund - Parks and Recreation	6	-	6
TOTAL	$ 2,277	$ -	$ 2,277

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2013, are as follows (in thousands):

Pension Trust Funds:	
Accounts payable	$ 25
Investments payable	16,107
Accrued investment management fees	396
Member benefits payable	4,909
Total	21,437
Oakland Redevelopment Successor Agency Trust Fund	
Accounts payable and accrued liabilities	16,181
Private Purpose Trust Fund	
Accounts payable and accrued liabilities	186

(10) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an interest rate of 1.00% to yield at 0.21% at maturity. Principal and interest were paid on June 30, 2013.

The short-term debt activity for the year ended June 30, 2013, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2012 - 2013 Tax & Revenue Anticipation Notes	$ -	$ 83,125	$ (83,125)	$ -

(11) LONG-TERM OBLIGATIONS

Primary Government

The following is a summary of long-term obligations as of June 30, 2013 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds Payable:			
General obligation bonds (A)	2039	3.50 - 6.25%	$ 309,793
Lease revenue bonds (B)	2027	3.00 - 5.50%	176,850
Pension obligation bonds (C)	2026	2.374 - 6.89%	367,394
Accreted interest (B) and (C)			162,874
City guaranteed special assessment district bonds (C)	2039	2.00 - 6.70%	6,690
Plus Deferred Amounts:			
Bond issuance premiums			20,219
Total			1,043,820
Notes Payable and Capital Leases:			
Notes payable (B) and (D)	2017	1.00 - 8.27%	7,815
Capital leases (B) and (D)	2025	1.460 - 5.46%	39,228
Total			47,043
Other Long-Term Liabilities			
Accrued vacation and sick leave (E)			40,564
Self-insurance liability - workers' compensation (B)			80,596
Self-insurance liability - general liability (B)			28,554
Estimated environmental cost (B)			3,455
Pledge obligation for Coliseum Authority debt (B)			56,895
Net OPEB obligation (B)			215,252
Interest rate swap agreement (B)			12,208
Total			437,524
Total Governmental Activities Long-Term Obligations, Net			**$ 1,528,387**

Debt service payments are made from the following sources:

(A) Property tax recorded in the debt service funds
(B) Revenues recorded in the general fund
(C) Property tax voter approved debt
(D) Revenues recorded in the special revenue funds
(E) Compensated absences are financed by governmental funds (General Fund, Federal/State Grant Fund, LMIHF, Municipal Capital Improvement Fund, and Other Governmental Funds) and proprietary funds (Sewer Service Fund) that are responsible for the charges.

Business-Type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Sewer fund - Notes payable	2014	3.00 - 3.50%	$	291
Sewer fund - Bonds	2029	3.00 - 5.25%		48,710
Unamortized Bond Premium				1,885
Total Business-Type Activities Long-Term Obligations, Net			$	50,886

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Senior and intermediate lien bonds	2033	2.00- 5.50%	$	1,160,615
Notes and loans	2030	0.13 - 5.00%		83,755
Plus Deferred Amounts:				
Unamortized bond discounts and premiums, net				62,091
Total bonds, notes, and loans payable				1,306,461
Self-insurance liability - workers' compensation				9,630
Self-insurance liability - general liability				290
Accrued vacation, sick leave and compensatory time				7,481
Environmental remediation and other liabilities				19,601
Net OPEB obligation				10,453
Total other long-term obligations				47,455
Total Component Unit Long-Term Obligations, Net			$	1,353,916

Oakland Redevelopment Successor Agency

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Tax Allocation Bonds	2041	2.50 - 8.50%	$	358,980
Housing Set-Aside Bonds	2042	3.25 - 9.25%		122,015
Plus (less) Deferred Amounts:				
Issuance premiums				5,695
Issuance discounts				(2,387)
Total ORSA Long-Term Obligations, Net			$	484,303

Revenues Pledged for the Repayment of Debt Service - ORSA

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at $2,856,580,000. These revenues have been pledged until the year 2041, the final maturity date of the bonds. The total principal and interest remaining on these TABs as of June 30, 2013 is estimated at $559,959,000, which is 19.6 percent of the total projected redevelopment property tax revenues. The pledged redevelopment property tax revenues recognized as of June 30, 2013 were $65,174,000 of which $39,741,766 (principal and interest) was used to pay debt service.

Historically, upon receipt of property tax increment, the Agency calculated the 80 percent and 20 percent and the voluntary 5 percent amount of tax increment and would then transfer the 20 percent and 5 percent portion to the Low and Moderate Income Housing Fund, as required by the California Health and Safety Code and the Agency board resolution. The previous requirement to bifurcate the tax increment into 80 percent and 20 percent portions was eliminated in AB X1 26. However, in order to maintain compliance with bond indentures secured by the 80 percent and 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the Redevelopment Property Tax Trust Fund ("RPTTF") pursuant to Health and Safety Code 34183 (a)(2)(A) as an enforceable obligations for debt service payments until the debt obligations have been satisfied.

Housing Set-Aside Bonds

The Housing set-aside bonds, which is comprised of Series 2006A, Series 2006A-T and Series 2011T are issued to finance affordable housing projects and are secured by a pledge and lien upon the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for the low and moderate income housing fund.

As of June, 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at $758,182,000. These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these Housing Set-Aside Bonds as of June 30, 2013 is estimated at $239,930,000, which is 31.6 percent of the total projected tax increment revenues. The pledged redevelopment property tax revenue recognized as of June 30, 2013 was zero. The principal and interest debt service payment for the reporting period was $12,115,887. The former Agency's debt service payments are requested through the Recognized Obligation Payment Schedule (ROPS) as enforceable obligations until the debt obligations have been satisfied.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the ROPS from the RPTTF pursuant to Health and Safety Code 34183 (a)(2)(A) as enforceable obligations for debt service payments until the debt obligations have been satisfied.

Revenues Pledged for the Repayment of Debt Service – Port

The Port's long-term debt consists primarily of tax-exempt bonds. The majority of the Port's outstanding bonds are revenue bonds which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service.

Pledged Revenues do not include cash received from Passenger Facility Charges (PFC) or Customer Facility Charges (CFC) unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. As of June 30, 2013, the Port has no bonds for which PFCs or CFCs are pledged.

For additional disclosures on revenues pledged for repayment of Port debt, see the separately issued financial statements of the Port.

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City, ORSA, and the Port. Management believes that the City, ORSA, and the Port are in compliance.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2013, the City's debt limit (3.75% of valuation subject to taxation) was $1,125,725,668. The total amount of debt applicable to the debt limit was $309,791,916. The resulting legal debt margin was $815,933,752.

Interest Rate Swap

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2

Objective of the Interest Rate Swap: On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the $187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2 (the "1998 Lease Revenue Bonds"). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of $15 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of $5.975 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). $143,093,669 was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond.

The amortization schedule is as follows as of June 30, 2013:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2013	$ 61,200,000	5.6775%	0.1265%	5.5510%
2014	53,700,000	5.6775%	0.1265%	5.5510%
2015	46,400,000	5.6775%	0.1265%	5.5510%
2016	39,300,000	5.6775%	0.1265%	5.5510%
2017	32,500,000	5.6775%	0.1265%	5.5510%
2018	25,800,000	5.6775%	0.1265%	5.5510%
2019	19,300,000	5.6775%	0.1265%	5.5510%
2020	12,800,000	5.6775%	0.1265%	5.5510%
2021	6,400,000	5.6775%	0.1265%	5.5510%

[1] Rate is as of 1-month LIBOR on June 28, 2013. Rates are projections, LIBOR rate fluctuates daily.

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2013 of $61,200,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value: Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $12,207,803 as of June 30, 2013. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk: The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa2 by Moody's Investors Service, and AAA by Standard and Poor's as of June 30, 2013. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3 by Moody's Investors Service or A- by Standard and Poor's, the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Termination Risk: An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's.

The counterparty may terminate the Swap if the City fails to perform under the terms of the contract. The counterparty also may terminate the Swap if the City's ratings fall below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If at the time of termination, the Swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the Swap's fair value.

Changes in Long-term Obligations

Primary Government

The changes in long-term obligations for the year ended June 30, 2013, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2012 [1]	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2013	Amounts due within one year
Bonds Payable:					
General obligation bonds	$ 326,609	$ -	$ 16,816	$ 309,793	$ 19,344
Lease revenue bonds	210,530	-	33,680	176,850	35,295
Pension obligation bonds	174,777	212,540	19,923	367,394	18,881
City guaranteed special assessment district bonds	7,475	3,545	4,330	6,690	325
Accreted interest on appreciation bonds	157,211	22,609	16,946	162,874	16,858
Unamortized premium and discount	23,176	(1,129)	1,828	20,219	1,829
Total	899,778	237,565	93,523	1,043,820	92,532
Notes Payable and Capital Leases:					
Notes payable	10,140	-	2,325	7,815	2,485
Capital Leases	13,498	28,000	2,270	39,228	6,925
Total	23,638	28,000	4,595	47,043	9,410
Other Long-Term Liabilities:					
Accrued vacation and sick leave	41,438	49,297	50,171	40,564	30,104
Pledge obligation for Coliseum Authority debt	61,408	-	4,513	56,895	3,670
Estimated environmental cost	4,433	50	1,028	3,455	1,000
Self-insurance liability - workers' compensation	85,558	17,297	22,259	80,596	20,821
Self-insurance liability - general liability	33,971	13,652	19,069	28,554	11,390
Net OPEB obligation	186,583	46,291	17,622	215,252	-
Interest rate swap agreement	16,165	-	3,957	12,208	-
Total	429,556	126,587	118,619	437,524	66,985
Total Governmental Activities Long-Term Obligations	**$ 1,352,972**	**$ 392,152**	**$ 216,737**	**$ 1,528,387**	**$ 168,927**

[1] The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation.

Internal service funds predominantly serve governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2013, $13,704,060 of capital leases and notes payable related to the internal service funds are included in the above amounts. Compensated absences obligations are financed and recorded in the appropriate governmental and proprietary funds when due.

Business-Type Activities

	Balance at July 1, 2012	Additions	Current maturities, retirements and net decreases	Balance at June 30, 2013	Amounts due within one year
Sewer fund - Notes payable	$ 574	$ -	$ 283	$ 291	$ 291
Sewer fund - Bonds	50,695	-	1,985	48,710	2,090
Unamortized bond premium	2,003	-	118	1,885	118
Total	$ 53,272	$ -	$ 2,386	$ 50,886	$ 2,499

A summary of the Oakland Redevelopment Successor Agency changes in long-term debt for June 30, 2013 are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at 7/01/2012 [1]	Additions	Deductions	Balance at June 30, 2013	Due within One Year
Bonds Payable:					
Tax allocation bonds	$ 377,665	$ -	$ (18,685)	$ 358,980	20,460
Housing set-aside revenue bonds	125,875	-	(3,860)	122,015	4,410
Plus (less) unamortized amounts:					
Issuance premiums	6,675	-	(980)	5,695	933
Issuance discount	(2,523)	-	136	(2,387)	(136)
Total	**$ 507,692**	**$ -**	**$ (23,389)**	**$ 484,303**	**25,667**

[1] The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation

Component Unit - Port of Oakland

	Balance at July 1, 2012[1]	Additions, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2013	Amounts due within one year
Senior and intermediate lien bonds	$ 1,262,965	$ 383,890	$ 486,240	$ 1,160,615	$ 41,445
Notes and loans	92,832	-	9,077	83,755	219
Plus unamortized amounts:					
Unamortized bond discount and premium, net	19,773	46,323	4,005	62,091	6,800
Total	1,375,570	430,213	499,322	1,306,461	48,464
Accrued vacation, sick leave, and compensatory time	6,023	2,799	1,341	7,481	5,024
Environmental remediation and other liabilities	23,222	4,904	8,525	19,601	4,018
Self-insurance liability - workers' compensation	8,190	2,632	1,192	9,630	1,500
Self-insurance liability - general liability	5,663	-	5,373	290	290
Net OPEB obligation	10,510	10,984	11,041	10,453	-
Total	53,608	21,319	27,472	47,455	10,832
Total Component Unit Long-Term Obligations	**$ 1,429,178**	**$ 451,532**	**$ 526,794**	**$ 1,353,916**	**$ 59,296**

[1] The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation.

Repayment Schedule:

Primary Government

The annual repayment schedules for all long-term debt as of June 30, 2013, are as follows (in thousands):

Governmental Activities [1]

Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Special Assessment District Bonds Principal	Special Assessment District Bonds Interest
2014	$ 19,343	$ 15,637	$ 35,295	$ 8,155	$ 325	$ 276
2015	20,394	14,685	31,600	6,465	345	268
2016	19,350	13,700	18,845	5,290	335	260
2017	20,425	12,748	19,775	4,382	350	250
2018	21,462	11,752	5,660	3,398	365	237
2019-2023	97,445	42,494	32,830	12,468	1,960	986
2024-2028	39,343	25,526	32,845	3,388	1,155	662
2029-2033	45,895	14,780	-	-	625	480
2034-2038	21,795	5,223	-	-	825	261
2039-2041	4,340	271	-	-	405	26
Total	$ 309,792	$ 156,816	$ 176,850	$ 43,546	$ 6,690	$ 3,706

Governmental Activities [1]								
Year Ending	Notes Payable				Capital Leases			
June 30	Principal		Interest		Principal		Interest	
2014	$	2,485	$	216	$	6,925	$	1,134
2015		2,180		157		6,707		943
2016		1,090		121		6,482		764
2017		2,060		53		3,404		597
2018		-		-		2,997		495
2019-2023		-		-		9,946		1,277
2024-2028		-		-		2,767		126
Total	$	7,815	$	547	$	39,228	$	5,336

	Pension Obligation Bonds						Total					
Year Ending			Accreted						Accreted			
June 30	Principal		Interest		Interest		Principal		Interest		Interest	
2014	$	18,881	$	16,858	$	30,845	$	83,254	$	16,858	$	56,263
2015		18,079		22,606		32,892		79,305		22,606		55,410
2016		17,210		24,688		35,036		63,312		24,688		55,171
2017		16,370		26,774		37,182		62,384		26,774		55,212
2018		25,275		28,807		39,162		55,759		28,807		55,044
2019-2023		120,199		173,074		221,702		262,380		173,074		278,927
2024-2028		151,380		-		10,832		227,490		-		40,534
2029-2033		-		-		-		46,520		-		15,260
2034-2038		-		-		-		22,620		-		5,484
2039-2041		-		-		-		4,745		-		297
Subtotal	$	367,394	$	292,807	$	407,651	$	907,769	$	292,807	$	617,602
Less: unaccreted interest		-		(129,933)		-		-		(129,933)		-
	$	367,394	$	162,874	$	407,651	$	907,769	$	162,874	$	617,602

[1] The specific year for payment of other long-term liabilities is not practicable to determine.

Business-Type Activities												
Year Ending	Sewer Revenue Bonds				Sewer Notes Payable				Total			
June 30	Principal		Interest		Principal		Interest		Principal		Interest	
2014	$	2,090	$	2,395	$	291	$	9	$	2,381	$	2,404
2015		2,175		2,306		-		-		2,175		2,306
2016		2,285		2,197		-		-		2,285		2,197
2017		2,400		2,083		-		-		2,400		2,083
2018		2,520		1,963		-		-		2,520		1,963
2019-2023		14,480		7,933		-		-		14,480		7,933
2024-2028		18,490		3,931		-		-		18,490		3,931
2029-2033		4,270		214		-		-		4,270		214
Total	$	48,710	$	23,022	$	291	$	9	$	49,001	$	23,031

Oakland Redevelopment Successor Agency

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and other long-term debt outstanding as of June 30, 2013, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending June 30:	Principal	Interest	Total
2014	$ 24,870	$ 28,053	$ 52,923
2015	19,865	26,651	46,516
2016	27,140	25,334	52,474
2017	29,760	23,670	53,430
2018	30,570	21,848	52,418
2019-2023	153,070	80,428	233,498
2024-2028	48,265	52,447	100,712
2029-2033	59,120	37,371	96,491
2034-2038	65,240	18,927	84,167
2039-2042	23,095	4,165	27,260
TOTAL	$ 480,995	$ 318,894	$ 799,889

Discretely Presented Component Unit – Port of Oakland

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2013, are as follows (in thousands):

Year Ending June 30:	Principal	Interest	Total
2014	$ 61,797 [1]	$ 61,953	$ 123,750
2015	68,890	58,892	127,782
2016	71,654	54,469	126,123
2017	56,658	50,344	107,002
2018	53,208	47,798	101,006
2019-2023	290,971	199,574	490,545
2024-2028	357,690	120,463	478,153
2029-2033	283,502	34,815	318,317
TOTAL	$ 1,244,370	$ 628,308	$ 1,872,678

(1) Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal year 2014-2018 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

On October 10, 2012, the Port issued $380.3 million of 2012 Series P (AMT) together with certain additional funds provided by the Port to refund and retire $357.0 million of 2002 Series L and $79.1 million of 2002 Series N. In addition, the Port issued $3.6 million of 2012 Series Q (non-AMT) together with certain additional funds provided by the Port to refund and retire $27.7 million of 2002 Series M. The final maturity date for the 2012 Series P is May 1, 2033 and for 2012 Series Q is May 1, 2014. The gross debt service savings through fiscal year 2033 is $63.4 million with a present value savings of $60.1 million. In addition, the Port recorded a deferred loss on refunding of $1.8 million.

Current Year Long-Term Debt Financings

Taxable Pension Obligation Bonds Series 2012

On July 30, 2012, the City issued its $212,540,000 Taxable Pension Obligation Bonds Series 2012 (the "POB Series 2012). The POB Series 2012 were issued to fund a portion of the City's unfunded actuarial accrued liability for retirement benefits to members of the Retirement System.

The issuance of the POBs Series 2012 is part of the plan of finance undertaken by the City to continue to permit annual debt service to be paid from the annual Tax Override Revenues anticipated by the City to be received and to minimize the need for the City to use other revennes to pay such debt serviee.

The interest rates on the POB Series 2012 ranged from 2.37% to 4.67% which produced a yield of 2.37% to 4.67% and the final maturity is on December 15, 2025.

City of Oakland 2012 Limited Obligation Refunding Improvement Bonds Reassessment District No. 99-1.

On August 30, 2012, the City issued $3,545,000 of Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1 (the "Bonds"). The proceeds were used to refund all of the City's outstanding Oakland Joint Powers Financing Authority's Reassessment Revenue Bonds, Series 1999. The issuance of the Bonds produced approximately $425,000 in net present value savings and an annual per parcel savings of $41 for the property owners in the district.

The Bonds were issued with interest rates ranging from 2.00% to 3.50% which yielded a rate of 0.80% to 3.64% with a final maturity on September 2, 2024.

The refunding resulted in a positive cash flow in the amount of $626,760. In addition, the City obtained a net economic gain on this financing of $422,645.

Master Lease – Vehicles and Equipment.

On May 9, 2013, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of $11,850,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for different types of fleet vehicles and equipment. The financing is done on a tax-exempt basis with a final maturity of May 1, 2021; the interest rate on this lease transaction is 1.4604%.

Master Lease – LED Streetlight Acquisition Lease Financing.

On May 30, 2013, the City of Oakland closed a lease transaction with Banc of America Leasing & Capital LLC in the amount of $16,150,000 for the purpose of financing the acquisition and installation of 30,000 light-emitting diode (LED) streetlamps and related improvements and equipment on and to an equivalent numbers of streetlights to replace high pressure sodium cobra-head streetlamps in the City of Oakland.

The financing consists of two portions, a Taxable Qualified Energy Conservation Bonds (QECB, Direct Subsidy) and a Non-Bank Qualified tax-exempt basis with a final maturity of May 30, 2025; the interest rates on this lease transaction are 3.23% and 2.39%, respectively. The City expects to receive approximately $2.6 million or 70% interest subsidy from the federal government for the QECB issuance portion.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2013, the City has no defeased debt outstanding.

Authorized and Unissued Debt

The City has $62.3 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded.

The conduit debt issued and outstanding at June 30, 2013 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2013
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	$ 19,800	07/01/33	$ 14,985
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
TOTAL	$ 179,800		$ 174,985

(12) GENERAL FUND BALANCE RESERVE POLICY

The City Council approved the original City Reserve Policy on March 22, 1994. Creation of the policy was to help pay any unanticipated expenditures and pay for claims arising from the City's insurance program. In May 2010, the City adopted a revised reserve policy equal to seven and one-half percent (7.5%) for unassigned fund balance of the General Purpose Fund (GPF) appropriation for each fiscal year. The GPF accounts for the City's operating budget that pays for basic programs and services as well as elected offices and municipal business functions. The GPF is reported within the General Fund.

The reserve policy established criteria for the use of GPF reserve, the use of excess Real Estate Transfer Tax (RETT) revenue, and use of one-time revenues, and to minimize draw-downs from the GPF reserve by previous approved projects and encumbrances.

The policy also established a baseline for the Real Estate Transfer Tax at $40 million (an amount collected in a normal year), with any amount over the baseline used as follows:

- Replenishment of the GPF reserves until such reserves reach 10 percent of current year budgeted GPF appropriations; and the remainder.
- 50 percent to repay negative Internal Service Fund balances.
- 30 percent set aside the Police and Fire Retirement System (PFRS) liability until this obligation is met.
- 10 percent to establish an Other Postemployment Benefits (OPEB) trust; and
- 10 percent to replenish the Capital Improvement Reserve Fund until such baseline reaches $10 million.

The policy also requires the City to conform to the following regarding the use of one-time discretionary revenues:

- 50 percent to repay negative Internal Service Fund balances and,
- 50 percent to repay negative fund balances in all other funds, unless legally restricted to other purposes.

As of June 30, 2013, the City has $95.4 million in the GPF fund balance. Of this amount, $37.2 million is set aside to meet the mandated 7.5% required reserve of $33.2 million, and is reported in the assigned fund balance of the General Fund.

(13) SELF-INSURANCE

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employee's injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

The City is self-insured for its general liability, malpractice liability, public official's errors and omissions, products and completed operations, employment practices liability, and auto liability up to $4,000,000 retention level and up to $750,000 retention level for workers' compensation and has excess insurance with the California State Association of Counties – Excess Insurance Authority as described in the Insurance Coverage section.

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $25,000 deductible to be paid by the City.

Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $80,596,283 in claims liabilities as of June 30, 2013, approximately $20,820,639 is estimated to be due within one year.

Changes in workers' compensation claims liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	2013	2012
Self-insurance liability - workers' compensation, beginning of year	$ 85,558	$ 82,045
Current year claims and changes in estimates	17,297	29,810
Claims payments	(22,259)	(26,297)
Self-insurance liability - workers' compensation, end of year	$ 80,596	$ 85,558

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2013, the amount of liability determined to be probable of occurrence is approximately $28,554,250. Of this amount, claims and litigation approximating $11,389,651 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the ORSA are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the ORSA's in-house counsel and the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the City and the ORSA. The City has not accumulated or segregated assets or set aside fund balances for the payment of estimated claims and judgments.

Changes in general claims liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	2013	2012
Self-insurance liability - general liability, beginning of year	$ 33,971	$ 36,687
Current year claims and changes in estimates	13,652	12,414
Claims payments	(19,069)	(15,130)
Self-insurance liability - general liability, end of year	$ 28,554	$ 33,971

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

Insurance Coverage

On July 15, 2002, the City entered into a contract with the California State Association of Counties Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Effective July 1, 2011, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Self-Insurance Retention	Insurance Authority/ Purchase Insurance (per occurrence/annual aggregate)
General Liability	Up to $3,000,000	$3,000,000 to $25,000,000
Automobile Liability	Up to $3,000,000	$3,000,000 to $25,000,000
Public Officials Errors and Omissions	Up to $3,000,000	$3,000,000 to $25,000,000
Products and Completed Operations	Up to $3,000,000	$3,000,000 to $25,000,000
Employment Practices Liability	Up to $3,000,000	$3,000,000 to $25,000,000
Workers' Compensation	Up to $750,000	$750,000 to $100,000,000

Discretely Presented Component Unit – Port of Oakland

Workers' Compensation

The Workers' Compensation liability at June 30, 2013 is based on an actuarial valuation performed as of June 30, 2013 that assumed a probability level of 70% and a discount rate of 1.15%. Changes in the reported liability resulted from the following (in thousands):

	2013	2012
Self-insurance liability - workers' compensation, beginning of year	$ 8,190	$ 6,900
Current year claims and changes in estimates	2,632	2,593
Claims payments	(1,192)	(1,303)
Self-insurance liability - workers' compensation, end of year	$ 9,630	$ 8,190

General Liability

The Port purchases insurance on certain risk exposures including but not limited to property, crane and rail, automobiles, airport liability, fidelity, fiduciary liability, and public officials liability. Port deductibles for the various insured programs range from $10,000 to $1,000,000 each claim. The Port is, however, self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party earthquake exposures. However, during fiscal years 2013, the Port carried excess insurance over $1,000,000 for the self-insured general liability and for workers compensation exposures. There have been no claims payments related to these programs that exceeded insurance limits in the last three years.

As of June 30, 2013, the Port was a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements.

Changes in the reported liabilities, which is included as part of long-term obligations is as follows (in thousands):

	2013	2012
Self-insurance liability - general liability, beginning of year	$ 5,663	$ 3,918
Current year claims and changes in estimates	(926)	4,685
Claims payments	(4,447)	(2,940)
Self-insurance liability - general liability, end of year	$ 290	$ 5,663

The Port was in litigation with one of its maritime tenants in connection with such tenant's complaint before the Federal Maritime Commission alleging the Port has violated the Federal Shipping Act of 1984 by entering into a long-term concession and lease agreement with another maritime tenant. As discussed in Note 19, the Port has settled the matter on July 18, 2013.

Capital Improvement Projects

The Port maintains an Owner Controlled Insurance Program (OCIP) and Professional Liability Insurance Program (PLIP) for eontractors and consultants working on Port Capital Improvement Projects (CIP).

The OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently $100,000 for each general liability and workers' compensation claim. The Port's OCIP insurance broker has provided an actuarial forecast for this program that projects losses within the deductible/self-insured retention, which have not yet been accrued, will be approximately $507,000 through program expiration, which is July 2014.

The PLIP provides professional liability insurance for consultants working on Port CIP projects. Subject to this program, the consultants separately are responsible for paying the deductible/self-insured retentions, which are $50,000 for consultants with annual revenues under $20,000,000 and $1,000,000 for consultants with annual revenues over $20,000,000. The Port's deductible/self-insured retention is $1,000,000. There is no actuarial forecast for this coverage.

(14) JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Alameda (the County) in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Authority), which was formed on July 1, 1995, to assist the City and County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Mark-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (the Corporation) is reported as a blended component unit of the Authority. The eight-member Board of Commissioners of the Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Corporation consists of the City Administrator and the County Administrator.

In August 1995, the Authority issued $9,200,000 in Fixed Rate Refunding Lease Revenue Bonds and $188,500,000 in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Authority, the City, the County, the Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which manages the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders football franchise to the City.

On May 25, 2000, the Authority issued $201,300,000 in series 2000 C and D Refunding Bonds to retire the 1995 Series B-1 and B-2 Variable Rate Lease Revenue Stadium Bonds. The balance was reduced to $137,434,050 as of May 31, 2012 through annual principal payments and optional calls.

On May 31, 2012, the Authority issued $122,815,000 in Refunding Bonds Series 2012 A with coupons of 2 percent to 5 percent to refund and defease all outstanding variable rate 2000 Series C Refunding Bonds. The bonds were priced at a premium, bringing total proceeds to $138,166,073.

These funds coupled with $13,000,625 in the 2000 Series C reserve fund generated a total available fund of $151,166,698, which was used to refund the 2000 C Refunding Bonds of $137,434,050, fund a reserve fund of $12,809,500 and to pay underwriter's discount and issuance cost of $923,147. The all-in-interest cost of the 2012A refunding bonds was 3.04 percent.

There was an economic loss of $23,021,101 (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds that generated a premium of $15,351,073. There was a deferred loss of $805,732, equal to the amount of unamortized issuance costs of the 2000 C and D Refunding Bonds.

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. The source of the Authority's revenues relating to football games consists primarily of a portion of club dues, concessions, and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate $11,000,000 annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to $22,000,000 annually in the event of default by the County.

On August 2, 1996, the Authority issued $70,000,000 Series A-1 and $70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc., and the Authority.

Under the Warriors Agreements, the Arena Bonds were limited obligations of the Authority, payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to $7,428,000 annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to $9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City could have to pay up to $19,000,000 annually in the event of default by the County.

The Authority entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Authority terminated its agreement with Oakland Coliseum Joint Venture and reinstated its Operating Agreement with Oakland-Alameda County Coliseum, Inc. Oakland-Alameda County Coliseum, Inc. subcontracted all of the operations of the Coliseum Complex to the Oakland Coliseum Joint Venture. The Operating Agreement between the Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Authority entered into a Termination Agreement whereby, in return for certain consideration, the Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006. The Authority's Management Agreement with Oakland Coliseum Joint Venture expired in June 2012. In July 2012, AEG Management of Oakland, LLC took over management of the Coliseum complex after signing a five year agreement.

Debt service requirements for the Coliseum Authority debt are as follows (in thousands):

For the Period	Stadium Bonds		Arena Bonds	
Ending June 30,	Principal	Interest	Principal	Interest [1]
2014	$ 7,340	$ 5,375	$ 4,700	$ 199
2015	7,560	5,121	5,100	188
2016	7,865	4,781	5,400	177
2017	8,255	4,379	5,800	165
2018	8,670	3,958	6,200	152
2019-2023	50,290	12,694	38,200	538
2024-2025	23,810	1,304	24,895	101
Total	$ 113,790	$ 37,612	$ 90,295	$ 1,520

[1] As of June 30, 2013, the variable interest rates for the Arena Bonds, which include Lease Revenue Bonds Series A-1 and Series A-2, are 0.20 and 0.24, respectively, and the term for the resets in the separate Commercial Paper Segment range from 31 and 60 days.

Complete financial statements for the Authority can be obtained from the County Auditor-Controller's office at 1221 Oak Street, Room 249. Oakland, CA 94612.

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2013, the City made contributions of $9,835,000 to fund its share of operating deficits and debt service payments of the Authority.

The Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the $20,500,000 appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute $10,250,000 for the 2013-14 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority's deficit in the statement of net position in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of $56,895,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

(15) RETIREMENT PLANS

The City has four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and the California Public Employees' Retirement System (PERS) Public Safety Retirement Plan and Miscellaneous Retirement Plan. PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the Retirement Plans' closure dates are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to formal commitments, as well as contractual or statutory requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the Retirement Plans.

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multiple employer
Reporting entity	City	City	State
Most recent actuarial study	July 1, 2012	July 1, 2012	June 30, 2012

Police and Fire Retirement System (PFRS)

PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2013 stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the year ended June 30, 2013, the contribution rate was 5.47%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits.

The City issued pension obligation bonds in March 1997 to fund PFRS through June 2011. Bond proceeds in the amount of $417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are contractually required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of $17,709,888 to PFRS.

In November 2007, City voters passed Measure M to modify the City Charter to allow PFRS to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard.

Effective July 1, 2011, the City resumed contributing to PFRS pension obligations. The City contributed a total of $45,507,996 to PFRS for the year ended June 30, 2012.

As of July 1, 2012 (the date of the last PFRS actuarial valuation), the unfunded actuarial accrued liability is approximately $401,100,000.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed $210,000,000 to PFRS. The contribution is expected to lower the unfunded liability from the $410,100,000 unfunded amount. As a result of a funding agreement entered into between the PFRS Board and the City, no additional contributions are required until July 1, 2017. See Note 11 for additional information.

The City's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* for the fiscal year ended June 30, 2013, were as follows:

Annual Required Contribution (ARC)	$ (34,200,000)
Interest on pension asset	12,349,919
Adjustment to the annual required contribution	(14,662,126)
Annual Pension Cost	(36,512,207)
Contribution made	210,000,000
Increase in net pension asset	173,487,793
Net pension assets, beginning of year	154,373,983
Net pension assets, end of year	$ 327,861,776

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2013 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Pension Contribution	Percentage (%) Contributed	Net Pension Asset
2011	$ 43,901,549	$ -	0%	$ 156,101,262
2012	47,235,275	45,507,996	96%	154,373,983
2013	36,512,207	210,000,000	575%	327,861,776

Actuarial Assumptions and Funded Status

Information regarding the funded status of the plan as of the most recent valuation date is shown below (in millions).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	$ 658.3	$ 257.2	$ 401.1	39.1%	$ 0.1	401100%

Multiyear trend actuarial information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information (RSI) immediately following the notes to the basic financial statements.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the valuation date and the annual required contribution for fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2012 [1]	July 1, 2011 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	6.75%	6.75%
Inflation Rate, U.S.	3.25%	3.25%
Inflation Rate, Bay Area	3.375%	3.375%
Long-term General Pay Increases	3.975%	3.975%
Long-term Postretirement Benefit Increases	3.975%	3.975%
Amortization Method	Level Dollar	Level Dollar
Amortization Period	23 years closed as of July 1, 2013	24 years closed as of July 1, 2012
Actuarial Value of Assets	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2011 valuation was used to determine the annual required contribution for fiscal year 2013

Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death, and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2013 standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to PERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2013, and will not receive any employee contributions in the future. Because of the OMERS' current funded status, the City is currently not required to make contributions to OMERS. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

Actuarial Assumptions and Funded Status

Information regarding the funded status of OMERS as of the most recent valuation date is shown below (in thousands).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	$ 3,630	$ 4,448	$ (818)	122.5%	$ -	n/a

Multiyear trend actuarial information about whether the actuarial value of Plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information (RSI) immediately following the notes to the financial statements.

A summary of the actuarial methods and significant assumptions used to calculate the funded status as of the valuations date and the annual required contribution for fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2012 [1]	July 1, 2010 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	6.25%	6.50%
Inflation Rate	3.25%	3.25%
Cost-of-living Adjustments	3.00%	3.00%
Amortization Method	Closed Level Dollar	Closed Level Dollar
Amortization Period	6 Years	6 Years

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

California Public Employees Retirement Systems (PERS)

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available. The following are recent changes to the City pension plans:

a) Two-Tier Pension Plan:

In July 2011 the City approved a PERS second tier (two-tiered pension plans) for all labor unions, one benefit plan for existing employees (classic member), and a less expensive plan for new employees hired after June 9, 2011 to reduce the City's costs over time. The two-tiered pension plans were approved through collective bargaining agreements between the City and labor organizations representing Miscellaneous and Safety employees. The City implemented the two-tiered pension plan for the Safety employees on February 9, 2012, pursuant to Ordinance No. 13106 C.M.S., and on June 8, 2012 for the Miscellaneous employees, pursuant to Ordinance No. 13119 C.M.S.

b) California Public Employees' Pension Reform ("PEPRA") Act of 2013 (Tier Three):

In September 2012, the governor signed Assembly Bill 340, known as PEPRA, which reforms all state and local public retirement systems and their participating employers with the exception of charter cities or counties that operate an independent retirement system (not governed by the 37 Act) that took effect on and after January 1, 2013. PEPRA limits the pension benefits offered to new employees and increases flexibility for employee and employer cost sharing for current employees.

	Employee Organization	
Tier Pension Plans	**Safety**	**Miscellaneous**
Tier One (Classic Member)	Receive 3% at age 50. Pension benefits are based on the one year of highest salary.	Receive 2.7% at age 55. Final compensation is based on the twelve (12) highest paid consecutive months.
Tier Two (New Hires as of June 9, 2011)	Receive 3% at age 55. Pension benefits are based on the final average salary of 3 years under the Government Code 20037.	Receive 2.5% at age 55. Final compensation is based on the highest average annual compensation of the three consecutive years.
Tier Three: AB 340 (January 1, 2013)	Basic: 2% at age 57. Option 1: 2.5% at age 57. Option 2: 2.7% at age 57. Pension benefits are based on the final average salary of 3 years subject to established cap.	2% at 62 Pension benefits are based on the final average salary of 3 years subject to established cap.

Funding Policy

Participants are required to contribute 8% for non-safety employees, 9% for police, and 13% for fire employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 25.115% for non-safety employees and 30.899% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2012-13, the City's annual pension costs of $46.5 million for the Safety Plan and $42.9 million for the Miscellaneous Plan were equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial values of plan assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). The plans' unfunded actuarial accrued liability is amortized as a level percentage of projected payroll over a closed 20-year period.

Three-year trend information for the Safety and Miscellaneous Plans are as follows (in millions):

Safety Plan

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 51.1	100%	$ -
2012	46.8	100%	-
2013	46.5	100%	-

Miscellaneous Plan

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Pereentage of APC Contributed	Net Pension Obligation
2011	$ 33.1	100%	$ -
2012	42.2	100%	-
2013	42.9	100%	-

Funded Status and Funding Progress for Retirement Plans

Safety Plan

As of June 30, 2012, the most recent actuarial valuation date, the Public Safety plan was 77.3% funded. The actuarial accrued liability for benefits was $1,398,098,675 and the actuarial value of Plan assets was $1,080,138,724 resulting in an unfunded actuarial accrued liability (UAAL) of $317,959,951. The annual covered payroll was $118,924,175, and the ratio of the UAAL to the annual covered payroll was 267.4%.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2012 [1]	June 30, 2010 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	29 years closed as of the Valuation Date	31 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market

Description	Method/Assumption	Method/Assumption
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, service, and type of employment	3.55% to 13.15% depending on Age, service, and type of employment
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

Miscellaneous Plan

As of June 30, 2012, the most recent actuarial valuation date, the Miscellaneous Plan was 79.6% funded. The actuarial accrued liability for benefits was $2,080,205,749 and the actuarial value of plan assets was $1,655,997,001, resulting in an unfunded actuarial accrued liability (UAAL) of $424,208,748. The annual covered payroll was $184,568,347, and the ratio of the UAAL to the annual covered payroll was 229.8%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry in PERS. Subsequent plan amendments are amortized as a level of payroll over a closed 20-year period.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2012 [1]	June 30, 2010 [2]
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	17 years closed as of the Valuation Date	18 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment	3.55% to 14.45% depending on age, service, and type of employment
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.25%

Description	Method/Assumption	Method/Assumption
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth ef 3.00% and an annual production growth of 0.25%

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

The schedules of funding progress for the Public Safety and Miscellaneous Plans are presented as RSI following the notes to the financial statements, and present multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(16) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Primary Government

Plan Description

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% @ 50 formula and miscellaneous employees retirement benefits under a 2.7% @ 55 formula.

The City's a single employer defined benefit retiree health plan (Retiree Health Plan) allows eligible retirees and their dependents to receive employer-paid medical insurance benefits through PERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Retiree Health Plan also includes dental and vision benefits and reimbursement of Medicare part B monthly insurance premium. The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. The City paid $17,622,496 for retirees under this program for the year ended June 30, 2013.

Annual OPEB Cost and Net OPEB Obligation

The City's annual postemployment benefit cost and net OPEB obligation for the Retiree Health Plan as of and for the fiscal year ended June 30, 2013 were as follows (in thousands):

Annual Required Contribution (ARC)	$	46,596
Interest on net OPEB obligation		7,463
Adjustment to ARC		(7,768)
Annual OPEB cost		46,291
Employer Contribution		(17,622)
Increase in net OPEB obligation		28,669
Net OPEB obligation, beginning of year		186,583
Net OPEB obligation, end of year	$	215,252

The City's annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the year for the City's single employer Retiree Health Plan were as follows (in thousands):

Fiscal Year Ended June 30,		Annual OPEB Cost	Percentage OPEB Cost Contributed		Net OPEB Obligation
2011	$	46,451	33.8%	$	156,978
2012		46,401	36.2%		186,583
2013		46,291	38.1%		215,252

OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2012, the most recent actuarial valuation date, the City's Retiree Health Plan was zero percent funded on an actuarial basis for other postemployment benefits (OPEB). Changes to the UAAL for the OPEB Plan was primarily the result of the actuarial value of assets being zero. The City is on a pay-as-you-go funding with no money set aside for future liabilities. The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2012 (in thousands):

Actuarial Valuation Date		Actuarial Accrued Liability (AAL) (a)		Actuarial Value of Assets (b)		Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	$	553,530	$	-	$	553,530	0.0%	$ 304,373	182%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in relation to the actuarial accrued liability for benefits. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Methods and Assumptions for OPEB Plan

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost and the annual required contribution for the fiscal year ended June 30, 2013 and the funded status as of July 1, 2012 are as follows:

Description	Method/Assumption
Valuation Date	July 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 years open as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market
Actuarial Assumptions:	
Discount Rate [1]	4.00%
Projected Salary Increases	2.5% per year growth
Inflation	3.00%
Demographic Rate	Retirement benefit at 3% 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees.
Health Care Cost Trends Rate	7.25% for fiscal year 2014, graded down to 5.00% for fiscal year 2025 and beyond. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.

[1] The City does not pre-fund the ARC, and therefore the discount rate is based on the expected return on the City's general assets.

Discretely Presented Component Unit – Port of Oakland

Plan Description

The Port contributes to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by PERS. The CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefit (OPEB) costs.

The Port's Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. The Port adopted resolutions which established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW).

The Port shall pay a percentage of employer contributions for retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 9 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least five of which are with the City/Port. Except as otherwise required by Section 22893(b) of the California Government Code (providing for 100% of employer contributions for a retiree who retired for disability or retired for service with 20 or more years of service credit), the Port will pay a percentage of employer contributions for the Retiree based upon the following:

Years of Credited Service (at least 5 of which are with the City/Port)	Percentage of Employer Contributions
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20	100

The employer contribution will be adjusted by the Port each year but cannot be less than the amount required by California Government Code Sections 22893 plus administrative fees and contingency reserve fund assessments.

Employees hired on or after October 1, 2009 (before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW) are eligible to receive dental and vision coverage through the Port's Retiree Health Plan.

Funding Policy

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port pays a portion of retiree benefit expenses on a pay-as–you-go basis to third parties, outside of the CERBT fund, and funds the remaining annual required contribution (ARC) to the CERBT fund.

As of June 30, 2013, there were approximately 526 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2013, the Port contributed $4,200,000 to the CERBT and made payments of $6,840,944 on behalf of eligible retirees to third parties outside of the CERBT fund.

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other postemployment benefit (OPEB) cost is equal to (a) the annual required contribution (ARC) plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment of the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over an open period of thirty years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the CERBT, and changes in the Port's net OPEB obligation to the Plan as of June 30, 2013 (in thousands):

Annual Required Contribution (ARC)	$	10,783
Interest on net OPEB obligation		800
Adjustment to ARC		(599)
Annual OPEB cost		10,984
Employer Contribution		(11,041)
Increase in net OPEB obligation		(57)
Net OPEB obligation, beginning of year		10,510
Net OPEB obligation, end of year	$	10,453

The Port's annual OPEB cost and net OPEB obligation are as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost		Percentage OPEB Cost Contributed	Net OPEB Obligation	
2011	$	11,193	99.4%	$	10,461
2012		10,983	99.6%		10,510
2013		10,984	100.5%		10,453

Funded Status and Funding Progress

The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over 30 years. The table below indicates the funded status of the Plan as of June 30, 2013, the most recent actuarial valuation date (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)		Actuarial Value of Assets (b)		Unfunded AAL (UAAL) (a-b)		Funded Ratio (b/a)	Covered Payroll (c)		UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2013	$	136,616	$	30,715.0	$	105,901	22.5%	$	47,823	221%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used for determining the benefit obligations of the Port is the Projected Unit Credit Cost Method. Under the principles of this method, the actuarial present value of the projected benefits is the value of benefits expected to be paid for active and retired employees. The AAL is the present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. In the most recent valuation of the Port's plan, as of June 30, 2013, the Port's UAAL was amortized over a "closed" period of 30 years.

Actuarial assumptions used for the valuation of the Port's plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual health care cost trends, which is based on the "Getzen"model published by the Society of Actuaries. The demographic assumptions regarding turnover and retirement are based on statistics from reports for CalPERS under a "2.7% @ 55" benefit schedule. The June 30, 2013 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 7.25%.

The schedule presented as Required Supplementary Information following the notes to basic the financial statements, presents multiyear trend information. The Schedule of Funding Progress – Port of Oakland Postemployment Benefits presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

The City has committed to funding in the amount of $155,736 million to a number of capital improvement projects for fiscal year 2014 through fiscal year 2015. As of June 30, 2013, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	$	9,077
Parks and open space		30,746
Sewers and storm drains		33,218
Streets and sidewalks		63,607
Technology enhancements		538
Traffic improvements		18,550
Total	$	155,736

Other Commitments and Contingencies

Long-Range Property Management Plan ("LRPMP")

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012, and replaced with successor agencies. Under this legislation, the Oakland Oversight Board, the California Department of Finance ("DOF") and the California State Controller's Office have varying degrees of responsibility and oversight over the dissolution process and successor agency activities. Health and Safety Code section 34179.7 provides that DOF will issue a finding of completion to a successor agency that makes required payments of available cash assets for distribution to taxing entities. On May 29, 2013, the Oakland Redevelopment Successor Agency ("ORSA"), after making its required payments, received its Finding of Completion from DOF.

Health and Safety Code Section 34191.5(b) requires a successor agency to prepare and submit for approval LRPMP within six months of receiving a finding of completion. On July 2, 2013, ORSA approved Resolution No. 2013-0022 approving a LRPMP addressing the disposition and use of former Redevelopment Agency properties and authorizing the disposition of properties pursuant to the Plan. The Plan has been approved by the Oakland Oversight Board and has been submitted to DOF for review. DOF has yet to approve the Plan and the ultimate outcome cannot presently be determined and, accordingly, no provision for any liability that may result has been recorded in the financial statrments.

Wood Street Affordable Hausing Project Environmental Remediation

The Wood Street Affordable Housing Project analytical results show concentrations of arsenic, lead, total petroleum hydrocarbons as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of June 30, 2013, environmental remediation clean up activities has not been completed yet. The Agency has set-aside $300 thousand in escrow to cover the remaining environmental obligations.

Oakland Army Base Environmental Remediation

Land held for the Oakland Army Base project may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, the former redevelopmant agency and the Port are responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. The former Agency has received a federal grant of $13 million to pay for the above-mentioned environmental remediation costs including a $3.5 million insurance premium. As of June 30, 2011 the former Agency has spent approximately $13.0 million on this project. $10.9 million has been reimbursed by the U.S. Department of the Army (Army). The City is working with the Army on the remaining balance of $2.1 million.

The next $11.0 million of environmental remediation costs are to be shared equally by the City and the Port. As of June 30, 2013, the City has recorded its remaining share of $2.9 million in estimated environmental cost under long-term liabilities. The next $9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30 million in additional environmental remediation-related costs. The City and the Port have agreed to share equally in any environmental remediation-related costs above $21 million that are not covered by insurance.

As part of the City and Agency properties purchase and sale agreement of March 3, 2011, the Oakland Army Base operations and remediation liabilities have been transferred to the City. In August 2013, the State Controller's Office, pursuant to Health and Safety Code section 34167.5 asset transfer review deemed the Oakland Army Base properties allowable and recommended for the City to the Oakland Army Base and its assets. The City management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

Discretely Presented Component Unit – Port of Oakland

As of June 30, 2013, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$	64,657
Maritime		66,080
Commercial real estate		1,418
Total	$	132,155

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area of $36.5 million, Airport Terminal Renovation projects of $13.4 million, Maritime OHIT Rail yard project of $48.5 million and Shore Power of $12.1 million.

Power Purchases

The Port purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. After power requirements are forecasted, the Port enters into power purchase agreements and make forward contract commitments.

The Port currently has three power purchase agreements with East Bay Municipal Utility (EBMUD), the Western Area Power Administration ("WAPA") and SunEdison, LLC ("SunEdison") with expiration dates greater than four years.

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
EBMUD	2017	Take and Pay - (Pay contract price only if energy is received)	8,000 MWH	Approx. $584,000 with no annual escalator
WAPA	2024	Take or Pay - (Pay contract price without regard to energy received)	17,000 MWH	Approx. $800,000 (Changes annually depending on revenue requirement for power generation projects)

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
SunEdison	2027	Take or Pay - (Pay contract price only if energy received)	1,200 MWH	Approx. $200,000 with annual escalator

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2013, approximately $2.5 million of power purchases contracts with Powerex Corporation and Shell Energy North America with expiration dates of 18 months or less.

Environmental

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under: the California Environmental Quality Act; permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission; and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental liability accounts, net of the estimated recoveries, included in long-term obligations on the statement of net position at June 30, 2013, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 392	$ -
Identified as responsible to clean up pollution	13,508	857
Named in a lawsuit to compel to clean up	31	-
Begins or legally obligates to clean up or post-clean up activities	3,743	60
Total by Obligating Event	$ 17,674	$ 917

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Obligating events include without limitations: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; and 2) the Port has commenced, or has legally obligated itself to commence, clean-up activities or monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

Methods and Assumptions
The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and postremediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

Recoveries

Estimated future recoveries that are listed on the prior page have been netted against the environmental and other liability accounts. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB Statement No. 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

(18) DEFICIT FUND BALANCES/NET POSITION AND EXPENDITURES OVER BUDGET

As of June 30, 2013, the following funds reported deficits in fund balance/net position (in thousands):

Special Revenue:		
Federal/State Grant Fund	$	(3,703)
Internal Service Funds:		
Facilities	$	(20,555)
Reproduction		(1,267)
Central Stores		(3,922)
Purchasing		(302)

The Federal/State Grant Fund will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period. The City's facilities, reproduction, central stores, and purchasing fund deficits are expected to be funded through increased user charges in future years. During the 2011-13 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds net position deficit by 2019. In addition, the City adopted a financial policy that requires half of one-time revenues to be used to eliminate negative internal service fund balances and half be used to pay off other negative funds balances.

As of June 30, 2013, the following funds reported expenditures in excess of budgets (in thousands):

Debt Service Fund:		
JPFA Fund	$	(466)

The excess of expenditures over budget in the JPFA Fund is primarily attributed to administrative and commission costs associated with property tax collection and levy.

(19) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 2, 2013, the City issued the 2013-14 Tax and Revenue Anticipation Notes (the "Notes") in the principal amount of $78,230,000 with a final maturity of June 30, 2014. The Notes were successfully sold on a competitive basis and were priced with an interest rate of 1.25% to yield 0.18% at maturity. The Notes were issued to finance General Fund expenditures, including but not limited to, current expenses, capital expenditures, and the discharge of other obligations of the City.

Master Lease – IBM Credit, LLC and Oracle Capital Corporation

On September 4, 2013, the City of Oakland issued a lease transaction with IBM Credit, LLC (the "IBM") and Oracle Capital Corporation (the "Oracle") for a combined total amount of $10,683,408 for the purpose of financing mandatory licenses, operating and maintenance fees, system upgrades and enhancements of critical services of hardware and software used by employees on a day to day basis. The financing was done on a tax-exempt basis with a final maturity of May 1, 2019; the interest rate on the Oracle and IBM lease transaction was 0.00% and 2.86% respectively.

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2013

On September 18, 2013, the City issued the Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 TABs") in the principal amount of $102,960,000. The proceeds were used to refund the Redevelopment Agency of Oakland's Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003 and its Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005. The issuance of the Series 2013 TABs produced approximately $ 10,139,431 in debt service savings.

The Series 2013 TABs were issued with interest rates ranging from 3.00% to 5.00% which yielded a rate of 0.63% to 3.66% with a final maturity on September 1, 2022.

DOF Approval of Bond Spending Plan

Upon receiving the Finding of Completion from the DOF on May 29, 2013, the ORSA developed a Bond Spending Plan and drafted a Bond Expenditure Agreement for the use of unspent pre-2011 bond proceeds. Pursuant to H&S Code section 34179 (h), the DOF reviewed the Oversight Bond action on the Bond Spending Plan and approved the Bond Spending Plan on November 6, 2013. The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. As required by H&S Code section 34191.4(c) (2) (A), ORSA has included excess bond proceeds in the total amount of $59.9 million on the ROPS for January through June 2014, which has been approved by the DOF.

City of Oakland v. Oakland Police and Fire Retirement System, et al., Alameda County Superior Court case number RG 11580626

This lawsuit was initiated by the City in June 2011, and seeks a writ of mandate and declaratory relief against PFRS, regarding PFRS's alleged overpayment of various retirement benefits to PFRS members. The City claims such overpayment amount to approximately $3,833,000 annually from 2008 to 2012, and generally seeks to have PFRS collect those overpayments from retirees. The Retired Oakland Police Officer's Association ("ROPOA") and individual retirees (Invervenors) intervened in the case on the side of PFRS.

The trial court ruled in favor of the City on September 7, 2012 and entered a judgment accordingly. The trial court's judgment is currently before the First District Court of Appeal. Although PFRS and Invervenors appealed, PFRS subsequently dismissed its appeal, so the only remaining parties to the appeal are the City and Intervenors. The matter is fully briefed as of August 1, 2013 and the City and Intervenors are waiting oral argument. A decision by the Court of Appeal is anticipated sometime in 2014.

Port of Oakland v. SSA Terminals, LLC and SSA Terminals (Oakland), LLC (Collectively, SSAT) Litigation Settlement.

On July 18, 2013 the Oakland Board of Port Commissioners approved a litigation settlement agreement with one of the Port's major long-term seaport tenants, SSA Terminals, LLC and SSA Terminals (Oakland), LLC (collectively, SSAT). The settlement involves four of the Port's seven marine terminals, and will create a 350-acre mega-terminal at the Port's middle harbor. Under the settlement, SSAT will lease two terminals through 2022 at current rates and conditions, and assume the lease on a third terminal through 2016, with one option to extend to 2022. Additionally, the Port agreed to terminate SSAT's current lease at a fourth terminal effective September 30, 2013.

The settlement involves short-term revenue loss in exchange for longer term revenue growth and stability. Prior to this agreement, the Port was facing the expiration of all four terminal leases in fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

PERS ACTUARIAL VALUATIONS

SCHEDULES OF FUNDING PROGRESS

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to covered payroll. The required contributions were determined as part of the actuarial valuation using the entry age normal actuarial cost method.

Public Safety Retirement Plan (Police and Fire)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
6/30/2010	$ 1,262,845,446	$ 951,508,815	$ 311,336,631	75.3%	$ 145,619,032	213.8%
6/30/2011	1,357,816,142	1,023,866,075	333,950,067	75.4%	130,530,316	255 8%
6/30/2012	1,398,098,675	1,080,138,724	317,959,951	77 3%	118,924,175	267.4%

Miscellaneous Retirement Plan

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
6/30/2010	$ 1,914,725,522	$ 1,565,521,601	$ 349,203,921	81.8%	$ 195,788,222	178.4%
6/30/2011	2,025,140,791	1,615,939,765	409,201,026	79.8%	194,123,413	210 8%
6/30/2012	2,080,205,749	1,655,997,001	424,208,748	79.6%	184,568,347	229.8%

City Other Postemployment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2008	$ 591,575,250	$ -	$ 591,575,250	0.0%	$ 304,875,561	194.0%
7/1/2010	520,882,498	-	520,882,498	0.0%	310,154,816	167.9%
7/1/2012	553,530,074	-	553,530,074	0.0%	304,373,447	181.9%

Port of Oakland PostEmployment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
1/1/2011	$ 131,327,000	$ 13,373,000.00	$ 117,954,000	10.2%	$ 45,248,000	261%
6/30/2011	128,906,000	19,145,000.00	109,761,000	14.9%	44,627,000	246%
6/30/2013	136,616,000	30,715,000.00	105,901,000	22.5%	47,823,000	221%

CITY OF OAKLAND

Required Supplementary Information (unaudited)

Year Ended June 30, 2013

PFRS AND OMERS ACTUARIAL VALUATIONS

SCHEDULES OF FUNDING PROGRESS

Oakland Police and Fire Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2010	$ 792,200,000	$ 297,800,000	$ 494,400,000	37.6%	$ 100,000	494400%
7/1/2011	683,200,000	256,400,000	426,800,000	37.5%	100,000	426800%
7/1/2012 [1]	658,300,000	257,200,000	401,100,000	39.1%	100,000	401100%

[1] Actuarial valuation does not include the City's pension contribution of $210 million of Pension Obligation Bond proceeds on July 30, 2012.

Oakland Municipal Employees' Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2009 [1]	$ 5,499,000	$ 4,981,000	$ 518,000	90.6%	$ -	N/A
7/1/2010 [1]	5,471,000	4,728,000	743,000	86.4%	-	N/A
7/1/2012 [2]	3,630,000	4,448,000	(818,000)	122.5%	-	N/A

[1] The decline in the funded ratio was primarily due to explicit recognition of future administrative expenses in the Plan's actuarial accrued liability, investment performance in FY 2008-09, and strengthening of the interest and mortality assumptions. The entry age normal cost method was used for disclosure and annual required contribution rates with the July 1, 2009 valuation.

[2] There is no employer contribution requirement for this plan in FY 2014.

CITY OF OAKLAND
Budgetary Comparison Schedule - General Fund (unaudited)
For the Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 186,529	$ 211,804	$ 214,495	$ 2,691
Sales and use tax	41,036	48,818	48,818	-
Local taxes:				
Business license	51,800	60,754	60,371	(383)
Utility consumption	50,500	50,752	50,752	-
Real estate transfer	28,490	47,297	47,406	109
Transient occupancy	10,925	12,455	12,454	(1)
Parking	8,104	7,946	7,947	1
Franchise	15,105	15,606	15,829	223
Licenses and permits	935	1,382	1,373	(9)
Fines and penalties	26,137	21,875	22,971	1,096
Interest and investment income	775	335	54	(281)
Charges for services	58,073	71,488	69,442	(2,046)
Federal and state grants and subventions	1,281	1,431	1,391	(40)
Annuity income	9,624	9,624	-	(9,624)
Other	11,425	8,106	6,329	(1,777)
TOTAL REVENUES	500,739	569,673	559,632	(10,041)
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	1,467	1,672	1,696	(24)
Council	3,419	3,743	3,509	234
City Administrator	35,601	36,817	36,325	492
City Attorney	10,182	17,168	9,712	7,456
City Auditor	901	1,399	1,369	30
City Clerk	2,109	2,538	2,069	469
Administrative Service Department:				
Human Resource Management	4,923	5,502	5,107	395
Information Technology	7,067	10,119	7,130	2,989
Financial Services	7,826	9,315	9,079	236
Public Safety Department:				
Police Serv	177,064	190,422	186,971	3,451
Fire Services	97,655	96,219	94,904	1,315
Community Service Department:				
Parks and Recreation	16,463	17,320	16,690	630
Aging & Health and Human Services	4,913	5,609	4,945	664
Cultural and community services	236	236	306	(70)
Library	9,060	9,066	8,957	109
Planning, Building & Neighborhood Preservation	32	33	76	(43)
Housing & Community Development	1,699	1,786	1,581	205
Public Works	31,072	33,322	29,564	3,758
Other	8,872	1,789	8,011	(6,222)
Capital outlay	502	38,928	38,362	566
Debt service:				
Principal repayment	2,586	2,074	2,047	27
Bond issuance costs		-	225	(225)
Interest charges	446	474	500	(26)
TOTAL EXPENDITURES	424,095	485,551	469,135	16,416
EXCESS OF REVENUES OVER EXPENDITURES	76,644	84,122	90,497	6,375
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	67	67	67	-
Insurance claims and settlements	3	2,383	3,726	1,343
Transfers in	51,619	30,341	3,293	(27,048)
Transfers out	(123,821)	(131,410)	(106,960)	24,450
TOTAL OTHER FINANCING USES, NET	(72,132)	(98,619)	(99,874)	(1,255)
Extraordinary Item:				
State Controller's asset transfer review	-	-	(1,313)	(1,313)
NET CHANGE IN FUND BALANCE	4,512	(14,497)	(10,690)	3,807
Fund balances - beginning	260,089	260,089	260,089	-
FUND BALANCES - ENDING	$ 264,601	$ 245,592	$ 249,399	$ 3,807

The notes to the required supplementary information are an integral part of this schedule.

(1) BUDGETARY DATA

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2011, the City Council approved the City's two-year budget for fiscal years 2012 and 2013. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2012-13 budget. Certain projects are appropriated on a multiyear rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds and supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except for certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multiyear basis. The amounts of the projects and programs budgeted on a multiyear basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

Major Funds

Federal/State Grants
Low and Moderate Housing Asset Fund
Municipal Capital Improvement

While the City adopts budgets for all funds, the budget to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multiyear basis.

(2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The "Budgetary Comparison Schedule – General Fund" has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between Budgetary Basis "actual" and GAAP basis is a timing difference:

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2013, was $403,630.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	General Fund
Net change in fund balance - GAAP basis	$ (10,286)
Amortization of debt service deposit agreement	(404)
Net change in fund balance - Budgetary basis	$ (10,690)

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2013, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2013 - GAAP basis	$ 245,643
Unamortized debt service deposit agreement	3,756
Fund balance as of June 30, 2013 - Budgetary basis	$ 249,399

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FEDERAL AWARDS PROGRAMS

Certified Public Accountants.

Oakland
505 14th Street, 5th Floor
Oakland, CA 94612
510 273 8974

Sacramento

Walnut Creek

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members
of the City Council
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 Unites States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2013, except for our report on the supplementary schedules, as to which the date is March 27, 2014. Our report includes a reference to other auditors who audited the financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), as described in our report on the City's financial statements. The financial statements of OMERS and PFRS were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements 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 City's financial statements are 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 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Oakland, California
December 13, 2013

Certified Public Accountants.

Oakland
505 14th Street, 5th Floor
Oakland, CA 94612
510 273 8974

Sacramento

Walnut Creek

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Oakland's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Port of Oakland (Port), which expended $25,736,494 in federal awards, and which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of the Port because we audited and reported on the Port's compliance in accordance with OMB Circular A-133 separately.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinions on the Housing Opportunities for Persons with AIDS program and the Community Development Block Grants/Entitlement Grants

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA No. 14.241 Housing Opportunities for Persons with AIDS program and CFDA No. 14.218 Community Development Block Grants/Entitlement Grants, as described in finding number 2013-001 for reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

Qualified Opinions on the Housing Opportunities for Persons with AIDS program and the Community Development Block Grants/Entitlement Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Opportunities for Persons with AIDS program and the Community Development Block Grants/Entitlement Grants for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matter

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-003 to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Oakland, California
March 27, 2014

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the State of California,				
Department of Education				
Child and Adult Care Food Program	10.558	04008-CACFP-01-GM-CS	$ 477,696	$ -
Summer Food Service Program for Children	10.559	E116-01	342,930	264,340
TOTAL U S DEPARTMENT OF AGRICULTURE			820,626	264,340
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-06-0013	9,546,346	2,051,372
Community Development Block Grants/Entitlement Grants	14.218	B-08-MN-06-0005	2,724,737	-
Community Development Block Grants/Entitlement Grants	14.218	B-11-MN-06-0005	1,156,021	-
Subtotal CDBG/Entitlement Grants			13,427,104	2,051,372
ARRA-Community Development Block Grant ARRA Entitlement Grants (CDBG-R)(Recovery Act Funded)	14.253	B-09-MY-06-0013	850,492	16,625
Subtotal CDBG - Entitlement Grants Cluster			14,277,596	2,067,997
Emergency Shelter Grants Program	14.231	S06-MC-06-0013	53,054	53,054
Emergency Shelter Grants Program	14.231	E-11-MC-06-0013	175,107	167,831
Emergency Shelter Grants Program	14.231	E-12-MC-06-0013	524,862	477,252
Subtotal Emergency Shelter Grants Program			753,023	698,137
Supportive Housing Program	14 235	CA0106B9T021003	63,810	63,810
Supportive Housing Program	14 235	CA0106B9T021104	683,139	650,390
Supportive Housing Program	14.235	CA0093B9T021104	209,912	204,240
Supportive Housing Program	14.235	CA0096B0T021104	1,326,673	1,070,416
Supportive Housing Program	14.235	CA0103B9T021003	120,470	116,877
Supportive Housing Program	14 235	CA0103B9T021104	197,832	191,734
Subtotal Supportive Housing Program			2,601,836	2,297,467
Home Investment Partnerships Program	14 239	M12-MC060208	3,698,924	-
Home Investment Partnerships Program	14.239	Prior Year Loans (Note 5)	70,766,574	-
Subtotal Home Investment Partnerships Program			74,465,498	-
Housing Opportunities for Persons with AIDS	14.241	CA-H06-F001	4,513	4,513
Housing Opportunities for Persons with AIDS	14.241	CA-H07-F001	214,318	214,318
Housing Opportunities for Persons with AIDS	14.241	CA-H08-F001	665,814	665,814
Housing Opportunities for Persons with AIDS	14.241	CA-H09-F001	763,959	763,959
Housing Opportunities for Persons with AIDS	14 241	CA-H10-F001	753,583	743,084
Housing Opportunities for Persons with AIDS	14 241	CA-H11-F001	303,285	251,109
Subtotal Housing Opportunities for Persons with AIDS			2,705,472	2,642,797
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	E-95-EZ-06-0001	362,797	109,440
Community Development Block Grants - Section 108 Loan Guarantees	14.248	B94-MC-06-0013-A	2,428,358	-
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14 251	B-06-SP-CA-0098	49,574	49,574
ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	B09-MY-06-0013	114,309	114,309
Continuum of Care Program	14.267	CA0093L9T021205	101,661	101,190
Continuum of Care Program	14.267	CA0096L9T021205	302,408	286,938
Subtotal Continuum of Care Program			404,069	388,128
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			98,162,532	8,367,849
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Juvenile Justice and Delinquency Prevention - Allocation to States	16 540	2010-PB-FX-K011	443,539	170,134
Juvenile Justice and Delinquency Prevention - Allocation to States	16,540	2010-CZ-BX-0066	455,686	397,476
Subtotal Juvenile Justice and Delinquency Prevention - Allocation to States			899,225	567,610

See notes to the schedule of expenditures of federal awards

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE (Continued)				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2007-DN-BX-K019	$ 73,182	$ 13,090
Federal Surplus Property Transfer Program	16.578	CA0010900	127,968	-
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009RJWX0009	4,518,025	-
Public Safety Partnership and Community Policing Grants	16.710	2011ULWX0002	3,202,901	-
Public Safety Partnership and Community Policing Grants	16 710	2010CKWX0332	17,694	-
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0392	248,506	-
Subtotal Public Safety Partnership and Community Policing Grants			7,987,126	-
Forensic Casework DNA Backlog Reduction Program	16 743	2009-DB-BX-K112	52,033	-
Forensic Casework DNA Backlog Reduction Program	16.743	2010-DN-BX-K068	39,673	10,730
Forensic Casework DNA Backlog Reduction Program	16 743	2010-DN-BX-K182	3,041	-
Forensic Casework DNA Backlog Reduction Program	16.743	2011-DN-BX-K484	211,990	-
Forensic Casework DNA Backlog Reduction Program	16.743	2011-MU-BX-K572	58,717	36,148
Forensic Casework DNA Backlog Reduction Program	16.743	2012-DN-BX-0054	64,630	-
Subtotal Forensic Casework DNA Backlog Reduction Program			430,084	46,878
Edward Byrne Memorial Competitive Grant Program	16.751	2009-DJ-BX-0128	39,890	-
Edward Byrne Memorial Competitive Grant Program	16.751	2010-DJ-BX-0128	27,000	-
Subtotal Edward Byrne Memorial Competitive Grant Program			66,890	-
Subtotal direct programs			9,584,475	627,578
Pass through County of Alameda				
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B90733	388,019	-
TOTAL U.S. DEPARTMENT OF JUSTICE			9,972,494	627,578
U.S. DEPARTMENT OF LABOR				
Pass through Senior Service America, Inc.				
Senior Community Service Employment Program	17 235	SCSEP-233	989,526	-
Pass through State of California, Employment Development Department				
WIA Cluster				
WIA Adult Program	17 258	K282491	764,857	324,840
WIA Adult Program	17 258	K386313	1,744,838	1,385,240
Subtotal WIA Adult Program			2,509,695	1,710,080
WIA Youth Activities	17 259	K178676	90,960	99,000
WIA Youth Activities	17.259	K282491	1,526,850	1,103,907
WIA Youth Activities	17 259	K386313	510,960	499,899
Subtotal WIA Youth Activities			2,127,810	1,623,806
ARRA-WIA Dislocated Workers Formula Grants	17.278	K074157	80,849	80,849
WIA Dislocated Workers Formula Grants	17.278	K178676	56,985	46,984
WIA Dislocated Workers Formula Grants	17.278	K282491	1,276,470	948,388
WIA Dislocated Workers Formula Grants	17.278	K386313	417,790	381,210
Subtotal WIA Dislocated Worker Formula Grants			1,832,094	1,457,431
Subtotal WIA Cluster			6,469,599	4,791,317
WIA Pilots, Demonstrations, and Research Projects	17 261	EA-21356-11-60-A-6	230,119	230,119
TOTAL U S. DEPARTMENT OF LABOR			7,689,244	5,021,436
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Program				
National Infrastructure Investments	20.933	DTH61-11-H-0001	187,415	-

See notes to the schedule of expenditures of federal awards

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION (Continued)				
Pass through State of California, Department of Transportation				
Highway Planning and Construction Cluster				
ARRA-Highway Planning and Construction	20 205	ESPL-5012 (098)	$ 26,037	$ -
ARRA-Highway Planning and Construction	20.205	ESPL-5012 (101)	447,376	-
Highway Planning and Construction	20.205	SR2SL-5012 (102)	171,783	-
Highway Planning and Construction	20.205	BRLS-5012 (085)	1,131,814	-
Highway Planning and Construction	20.205	STPL-5012 (037)	286,527	-
Highway Planning and Construction	20.205	STPL-5012 (093)	593,501	-
Highway Planning and Construction	20.205	STPL-5012 (094)	519,957	-
Highway Planning and Construction	20.205	STPL-5012 (090)	206,813	-
Highway Planning and Construction	20.205	STPL-5012 (027)	4,012,282	-
Highway Planning and Construction	20.205	CML-5012 (106)	906,513	-
Highway Planning and Construction	20.205	STPLEE-5012 (065)	1,280	-
Highway Planning and Construction	20 205	STPL-5012 (089)	5,875	-
Highway Planning and Construction	20 205	STPLZ--5012 (025)	125,174	-
Highway Planning and Construction	20.205	STPLZ--5012 (027)	77,922	-
Highway Planning and Construction	20.205	STPLZ--5012 (028)	504,267	-
Highway Planning and Construction	20.205	BHLO-5012 (103)	101,027	-
Highway Planning and Construction	20 205	STPLZ--5012 (108-112)	1,234,667	-
Subtotal Highway Planning and Construction Cluster			10,352,815	-
TOTAL U.S DEPARTMENT OF TRANSPORTATION			10,540,230	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Pass through State of California, Water Resources Control Board				
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66 458	C06-6443-110	767,607	-
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66 458	C06-6199-110	251,312	-
Subtotal ARRA-Capitalization Grants for Clean Water State Revolving Funds			1,018,919	-
ARRA-Brownfields Assessment and Cleanup Cooperative Agreements	66 818	2B-OOT18101-O	49,945	21,116
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00T29101-0	16,086	571
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			66,031	21,687
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			1,084,950	21,687
U.S. DEPARTMENT OF ENERGY				
Direct Program				
ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000870	828,295	-
Pass through State of California, Department of Community Services and Development				
ARRA-Weatherization Assistance for Low-Income Persons	81.042	09C-1852	490,621	452,917
TOTAL U.S DEPARTMENT OF ENERGY			1,318,916	452,917
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Medical Reserve Corps Small Grant Program	93.008	MRC091176	1,397	-
Head Start Cluster				
Head Start	93 600	09CH9006/41	2,127,789	718,493
Head Start	93.600	09CH9006/42	16,223,895	4,731,699
Subtotal Head Start			18,351,684	5,450,192
Assets for Independence Demonstration Program	93 602	90E10470/01	140,680	58,343
Subtotal direct programs			18,493,761	5,508,535

See notes to the schedule of expenditures of federal awards

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Pass through State of California, Department of Community Services and Development				
Community Services Block Grant	93.569	11F-4203	$ 360,218	$ 313,708
Community Services Block Grant	93.569	12F-4402	995,779	650,858
Community Services Block Grant	93.569	13F-3002	389,734	270,636
Subtotal Community Services Block Grant			1,745,731	1,235,202
Pass through State of California, Department of Aging				
Medical Assistance Program	93 778	MS-1213-01	1,342,308	198,333
Subtotal pass-through programs			3,088,039	1,433,535
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			21,581,800	6,942,070
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Program				
Foster Grandparent Program	94.011	09SFPCA010	30,711	-
Foster Grandparent Program	94.011	09SCPCA010	299,449	-
TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			330,160	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
National Urban Search and Rescue Response System	97 025	EMW-2011-CA-00068	427,326	29,403
National Urban Search and Rescue Response System	97.025	EMW-2012-CA-K00012	691,599	129,827
Subtotal National Urban Search and Rescue Response System			1,118,925	159,230
Assistance To Firefighter Grant	97.044	EMW-2011-F0-07400	210,642	-
Assistance To Firefighter Grant	97.044	EMW-2011-FV-04232	619,939	-
Subtotal Assistance To Firefighter Grant			830,581	-
Port Security Grant Program	97.056	Agreement-PSGP 2008	861,666	-
Port Security Grant Program	97.056	Agreement-PSGP 2011	380,836	-
Subtotal Port Security Grant Program			1,242,502	-
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2009-FH-01272	307,224	-
Regional Catastrophic Preparedness Grant	97.111	Agreement-RCPGP	178,975	36,000
Subtotal direct programs			3,678,207	195,230
Pass through City and County of San Francisco				
Homeland Security Grant Program	97 067	2009 SUASI	2,311	-
Homeland Security Grant Program	97.067	2010 SUASI	839,882	233,319
Homeland Security Grant Program	97.067	2011 SUASI	555,647	-
Homeland Security Grant Program	97.067	2012 SUASI	56,673	-
Pass through County of San Mateo				
Homeland Security Grant Program	97.067	2009 NCRIC	12,739	-
Homeland Security Grant Program	97.067	2011 NCRIC	156,004	-
Pass through County of Alameda				
Homeland Security Grant Program	97.067	MOU-ALCO	50,645	-
Subtotal Homeland Security Grant Program			1,673,901	233,319
Pass through Port of Oakland				
ARRA-Port Security Grant Program	97 116	2009-PU-RI-0189	2,775,507	-
Subtotal pass-through programs			4,449,408	233,319
TOTAL U.S DEPARTMENT OF HOMELAND SECURITY			8,127,615	428,549
TOTAL EXPENDITURES OF FEDERAL AWARDS			$159,628,567	$ 22,126,426

See notes to the schedule of expenditures of federal awards

CITY OF OAKLAND
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Note 1 – General

The accompanying schedule of expenditures of federal awards (SEFA) presents the expenditures of all federal award programs of the City of Oakland, California (City) for the year ended June 30, 2013, except as described in Note 4 below. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants as described in Note 2 to the City's basic financial statements.

Note 3 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the Federal/State Grant special revenue fund.

Note 4 – Federal Expenditures of the Port of Oakland

The Port of Oakland's (Port) federal expenditures are excluded from the SEFA because such expenditures are reported separately. Federal expenditures for the Port's programs are taken from the separately issued single audit report for the year ended June 30, 2013. The federal programs of the Port are as follows:

Federal Grantor / Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Airport Improvement Program	20.106	$ 20,655,474
Highway Planning and Construction	20.205	79,935
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		20,735,409
U.S. DEPARTMENT OF HOMELAND SECURITY		
ARRA-Port Security Grant Program	97.116	4,703,557
Port Security Grant Program	97.056	297,528
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		5,001,085
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 25,736,494

Note 5 – Loans Outstanding

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs maintain servicing and trust arrangements with the City to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain significant continuing compliance requirements with respect to the loans rendered under the Home Investment Partnerships Program (CFDA No. 14.239). The following is a summary of the changes in outstanding loans receivable used to determine the value at June 30, 2013:

Balance, Gross June 30, 2012	Increases	Decreases	Balance, Gross June 30, 2013	Allowance for Doubtful Accounts	Balance, Net June 30, 2013
$ 69,308,815	$ 5,729,607	$ (1,152,457)	$ 73,885,965	$ (8,405,920)	$ 65,480,045

In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the City has reported in the SEFA the value of new loans made during the year along with the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2013.

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for the reporting requirement of the Housing Opportunities for Persons with AIDS (CFDA No. 14.241) program and the Community Development Block Grants/ Entitlement Grants (CFDA No. 14.218), which were qualified.
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

Program Title	CFDA Number
• ARRA-CDBG - Entitlement Grants Cluster	14.218, 14.253
• Supportive Housing Program	14.235
• Home Investment Partnerships Program	14.239
• Housing Opportunity for Persons with AIDS	14.241
• ARRA-Public Safety Partnership and Community Policing Grants	16.710
• ARRA-Workforce Investment Act Cluster	17.258, 17.259, 17.278
• ARRA-Highway Planning and Construction Program	20.205
• Head Start Program	93.600
• ARRA-Port Security Grant Program	97.116

Dollar threshold used to distinguish between Type A and Type B programs:	$2,596,024
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2013-001 Performance Report Requirement

Federal Program Title:	Housing Opportunities for Persons with AIDS
Federal Catalog Number(s):	14.241
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A – direct award.
Federal Award Number(s):	All. See SEFA for listing of grant numbers.

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number(s):	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A – direct award.
Federal Award Number(s):	B-12-MC-06-0013, B-08-MN-06-0005, and B-11-MN-06-0005

Criteria:

Pursuant to Title 24, section 135.90 of the Code of Federal Regulations, for each grant over $200,000 that involves housing rehabilitation, housing construction, or other public construction, the primary grant recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*. The purpose of Form HUD 60002 is to report annual accomplishments regarding employment and other economic opportunities provided to low- and very low-income persons under Section 3 of the Housing and Urban Development Act of 1968. This report is required to be submitted annually by January 10 or with the submission of an annual performance report by direct grant recipients only.

Condition:

During our audit of the Housing Opportunities for Persons with AIDS program administered by the Department of Housing and Community Development, we noted that the City did not submit the required HUD 60002 reports for the period July 1, 2012 to June 30, 2013.

Cause:

While the City does track such information, it did not complete the Form HUD 60002 for submission to the U.S. Department of Housing and Urban Development (HUD).

Effect:

Continued non-compliance with this requirement may result in increased oversight by HUD and may also lead to a reduction or discontinuance of federal assistance under these programs in future grant periods.

Section III – Federal Award Findings and Questioned Costs

Finding 2013-001 (continued)

Questioned Costs:
None noted.

Recommendation:
We recommend that the City contact HUD for guidance about past due reports. Going forward, the City should establish procedures to submit the required form within the prescribed timeframe.

Management Response and Corrective Action:
The City agrees with the auditor's recommendation above and has requested and received guidance from HUD on this matter. Going forward the City will implement procedures to achieve timely reporting of the HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* reporting.

Finding 2013-002 Federal Funding Accountability and Transparency Act Reporting

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number(s):	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A – direct award.
Federal Award Number(s):	B-12-MC-06-0013, B-08-MN-06-0005, and B-11-MN-06-0005

Criteria:
The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website www.USASpending.gov. The FFATA Subaward Reporting System (FSRS) is the reporting tool federal prime grantees use to capture and report subaward and executive compensation data regarding their first-tier subawards to meet the FFATA reporting requirements. The FFATA reporting requirements do not apply to awards funded by the American Recovery and Reinvestment Act.

Prime grantees are required to report each first-tier subaward or subaward amendment that results in an obligation of $25,000 or more in federal funds by the end of the month following the month in which the subcontract award or modification occurs. Due to the newness of the FFATA reporting requirements and implementation challenges that prime grantees have had with the FFATA reporting process, the federal government has issued a waiver of reporting delays provided that the prime grantee could demonstrate a "good faith" effort to comply. Demonstration of a "good faith" effort by a recipient should be evidenced by proper documentation such as: emails or phone logs of communication between a recipient and the awarding agency or the General Services Administration; or computer screen shots that illustrate recipient attempts to upload information into the FSRS.

Section III – Federal Award Findings and Questioned Costs

Finding 2013-002 (continued)

Condition:
As a prime grantee of federal awards under the Community Development Block Grants/Entitlement Grants (CDBG Program), the City is required to comply with FFATA reporting requirements. The City's Department of Housing and Community Development did not submit the required reports for subawards made during the year ended June 30, 2013. This is a repeat finding from the City's single audit for the year ended June 30, 2012.

Cause:
The Department of Housing and Community Development interpreted the FFATA report requirements to be not applicable for the year ended June 30, 2013.

Effect:
The City is not in compliance with the FFATA reporting requirement.

Questioned Costs:
None noted. The FFATA report captures subaward information and does not affect program expenditures.

Recommendation:
We recommend the Department of Housing and Community Development report all subawards made to date in the FSRS. If technical or other difficulties prevent compliance with the reporting requirements by the specified due dates, the departments should retain proper documentation to demonstrate good faith efforts.

Management Response and Corrective Action:
We concur. Federal Funding Accountability and Transparency Act (FFATA) reporting is a relatively new federal reporting requirement and as a part of the Single Audit for Fiscal Year 2012, staff were made aware of the Federal Funding Accountability and Transparency Act (FFATA) legislation which requires information on federal awards be made available to the public.

As a response to this requirement, as a form of public transparency, the City has made available on the website the Annual Action Plan. The Annual Action Plan provides in detail the names of sub-recipient, the dollar amount and the project description of all projects funded through grants from the U. S. Department of Housing and Urban Development (HUD). Also, the City enters the sub-recipient name, dollar amount; project description of all HUD funded projects into the Integrated Database and Information System (IDIS), HUD Database.

Section III – Federal Award Findings and Questioned Costs

Finding 2013-002 (continued)

In Mid-December 2013, HUD confirmed to the City that the Consolidated Annual Performance and Evaluation Report (CAPER) submission does not satisfy the FFATA requirements. Therefore, at this time, the Department of Housing and Community Development will report all subawards made to date in the FFATA Subaward Reporting System (FSRS) website https://www.fsrs.gov. If technical or other difficulties prevent compliance with the reporting requirements by the specified due dates, the departments will retain proper documentation to demonstrate good faith efforts.

Finding 2013-003 Period of Availability Monitoring

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number(s):	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A – direct award.
Federal Award Number(s):	B08-MN-06-005 and B-09-MY-06-0013

Criteria:
Federal awards may specify a time period during which the non-federal entity may use the federal funds. Where a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency.

Condition:
The City incurred expenditures under three grant awards for the Community Development Block Grants/Entitlement Grants program. Expenditures related to two of the grants were incurred after the grant expiration dates. The grant term for award number B-09-MY-06-0013 ended on September 30, 2012, and award number B08-MN-06-005 ended on March 18, 2013. Accordingly, expenditures incurred after the end of the grants are not reimbursable.

Cause:
This appears to be a management oversight.

Effect:
The City has reduced federal expenditures reported under CFDA No. 14.218 by the questioned cost amounts.

Questioned Costs:
Expenditures incurred after the end of the grants were $42,741 for grant number B-09-MY-06-0013 and $134,522 for grant number B08-MN-06-005.

Section III – Federal Award Findings and Questioned Costs

Finding 2013-003 (continued)

Recommendation:
We recommend management emphasize and strengthen oversight of grant terms to ensure only expenditures incurred within the grant period are charged to the grant award.

Management Response and Corrective Action:
We concur. Grant number B-09-MY-06-0013 and grant number B08-MN-06-005 were both new one time grants for the City which had ending dates outside the City's Fiscal year budget. The expenditures which incurred after the end dates for the grants were for personnel and operations and maintenance (O&M) costs which should have stopped being charged but were inadvertently continued charged to the grants after the end date.

Staff will move to put systems in place to ensure there are no charges incurred to a grant after the end date. All personnel costs and O&M costs will end one month prior to the end date of the grant to allow for a reconciliation of all charges to the grant.

Reference Number:	**Federal Award Finding 2012-1**
CFDA number(s)/ Program Name(s):	14.239 – Home Investment Partnerships Program 20.205 – Highway Planning and Construction Program
Audit Finding:	During our review of the City's compliance with the Davis-Bacon Act for the Home Investment Partnerships Program administered by the Community and Economic Development Agency (CEDA), we found that 30 of the 40 certified payrolls selected for testing were collected after the City made disbursed federal awards to the contractors. For the Highway Planning and Construction Program administered by the Public Works Department, our testing found that 4 of the 25 certified payrolls selected for testing were collected after payments were made to the contractor.
Status of Corrective Action:	Corrective action has been implemented.

Reference Number:	**Federal Award Finding 2012-2**
CFDA number(s)/ Program Name(s):	14.239 – Home Investment Partnerships Program
Audit Finding:	The City did not submit the required Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, for the period July 1, 2010 to June 30, 2011. The purpose of Form HUD 60002 is to report annual accomplishments regarding employment and other economic opportunities provided to low- and very low-income persons under Section 3 of the Housing and Urban Development Act of 1968.
Status of Corrective Action:	Corrective action has been implemented.

Reference Number:	**Federal Award Finding 2012-3**
CFDA number(s)/ Program Name(s):	14.218 – Community Development Block Grants/Entitlement Grants 14.235 – Supportive Housing Program 93.600 – Head Start
Audit Finding:	The City did not submit subaward data in the FSRS and was not able to provide proper documentation to demonstrate any good faith efforts. The City is not compliance with the Federal Funding Availability and Transparency Act (FFATA) subaward reporting requirements. The FFATA legislation requires information on federal awards be made available to the public via a single, searchable website.
Status of Corrective Action:	Corrective action has been implemented for the Supportive Housing Program (CFDA No. 14.235) and the Head Start program (CFDA No. 93.600). The finding has not been corrected for the Community Development Block Grants/Entitlement Grants (CFDA No. 14.218). See finding 2013-002.
Reference Number:	**Federal Award Finding 2012-4**
CFDA number(s)/ Program Name(s):	93.709 – ARRA Early Head Start
Audit Finding:	During our review of the City's compliance with Procurement, we found that 1 out of 10 contractors selected for testing, totaling \$1.4 million in expenditures, the City was unable to locate the procurement files. The grantee is responsible for maintaining sufficient documentation on the significant history of procurements using federal funds.
Status of Corrective Action:	Corrective action has been implemented.

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SUPPLEMENTARY SCHEDULES

CITY OF OAKLAND

Supplemental Schedule of Revenue and Expenditures

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 11F-4203, Project No. G421610-21
For the Period January 1, 2011 to December 31, 2012

	Jan. 1, 2011 through June 30, 2011	July 1, 2011 through June 30, 2012 [1]	July 1, 2012 through Dec. 31, 2012	Total Actual	Total Reported	Total Budget
Revenue:						
Grant Amount	$ 403,776	$ 459,731	$ 365,002	$ 1,228,509	$ 1,228,509	$ 1,228,509
Expenditures:						
Personnel Costs:						
Salaries and Wages	96,847	126,202	34,503	257,552	249,044	235,115
Fringe Benefits	56,583	71,733	17,135	145,451	139,812	139,971
Subtotal Personnel Costs	153,430	197,935	51,638	403,003	388,856	375,086
Non-Personnel Costs:						
Operating Expense	2,160	9,370	5,988	17,518	37,309	36,253
Equipment	-	-	-	-	4,088	4,089
Out-of-State Travel	1,522	5,004	28	6,554	2,000	2,000
Subcontractor Services	156,556	246,734	313,707	716,997	783,613	788,041
Other Costs	17,410	78,170	(11,143)	84,437	12,643	23,040
Subtotal Non-Personnel Costs	177,648	339,278	308,580	825,506	839,653	853,423
Total Expenditures	$ 331,078	$ 537,213	$ 360,218	$ 1,228,509	$ 1,228,509	$ 1,228,509

[1] Expenditures in the prior fiscal year were adjusted and subsequently reported in the Expenditure Activity Reporting System.

CITY OF OAKLAND

Supplemental Schedule of Revenue and Expenditures (continued)

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 13F-3002, Project No. G422710/20
For the Period January 1, 2013 to June 30, 2013

	Total Actual	Total Reported	Total Budget
Revenue:			
Grant Amount	$ 389,734	$ 389,734	$ 1,242,906
Expenditures:			
Personnel Costs:			
Salaries and Wages	49,085	49,085	195,956
Fringe Benefits	43,089	43,089	131,076
Subtotal Personnel Costs	92,174	92,174	327,032
Non-Personnel Costs:			
Operating Expense	4,807	4,837	31,456
Equipment	-	-	2,000
Out-of-State Travel	5,028	4,999	15,000
Subcontractor Services	280,730	280,729	841,596
Other Costs	6,995	6,995	24,822
Subtotal Non-Personnel Costs	297,560	297,560	914,874
Total Expenditures	$ 389,734	$ 389,734	$ 1,241,906

CITY OF OAKLAND

Supplemental Schedule of Revenue and Expenditures (continued)

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 12F-4402, Project No. G421710-21
For the Period January 1, 2012 to June 30, 2013

	Jan. 1, 2012 through June 30, 2012 [1]	July 1, 2012 through June 30, 2013	Total Actual	Total Reported	Total Budget
Revenue:					
Grant Amount	$ 116,725	$ 1,127,234	$ 1,243,959	$ 1,253,958	$ 1,253,958
Expenditures:					
Personnel Costs:					
Salaries and Wages	77,343	135,223	212,566	194,982	211,697
Fringe Benefits	42,872	74,092	116,964	124,811	135,600
Subtotal Personnel Costs	120,215	209,315	329,530	319,793	347,297
Non-Personnel Costs:					
Operating Expense	595	8,519	9,114	34,428	35,699
Equipment	-	88	88	5,000	5,000
Out-of-State Travel	8,654	19,029	27,683	19,166	20,000
Subcontractor Services	117,534	650,858	768,392	860,184	828,236
Other Costs	29,651	107,970	137,621	15,387	17,726
Subtotal Non-Personnel Costs	156,434	786,464	942,898	934,165	906,661
Total Expenditures	$ 276,649	$ 995,779	$ 1,272,428	$ 1,253,958	$ 1,253,958

[1] Expenditures in the prior fiscal year were adjusted and subsequently reported in the Expenditure Activity Reporting System.

CITY OF OAKLAND
Supplemental Schedule of Expenditures of
Alameda County Awards
Year Ended June 30, 2013

Alameda County Award/Program Title	Contract Number	Exhibit/PO Number	Expenditures
Department of Adult and Aging Services			
Information and Assistance (Outreach)	SOCSA-900163	10680	$ 42,177
Total Department of Adult and Aging Services			42,177
Housing and Community Development Department			
Winter Shelter Program	C-6995	2013005884	14,242
Winter Shelter Program	C-3621	2014006200	107,130
Total Housing and Community Development Department			121,372
Department of Workforce and Benefits Administration			
Henry J. Robinson Multi-Service Center	SOCSA-900163	8,284	308,078
Total Department of Workforce and Benefits Administration			308,078
Total Alameda County Awards			$ 471,627