

**CITY OF OAKLAND**  
**AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND  
2011 APR 13 PM 6:19

TO: Office of the City Administrator  
ATTN: P. Lamont Ewell, Interim City Administrator  
FROM: Finance and Management Agency  
DATE: April 26, 2011  
RE: Informational Report presenting the Fiscal Year 2009/2010 Single Audit Report

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**SUMMARY**

The Finance and Management Agency is pleased to present to the City Council the attached Single Audit Report. The Single Audit Report, mandated by the Federal Single Audit Act of 1984 as amended, is the primary mechanism used by federal agencies to ensure accountability for federal awards.

The Single Audit Report includes the City of Oakland's 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 unqualified opinion letters for the report mentioned above declared that the basic financial statements and the federal awards contained therein accurately represent the financial condition of the City as of June 30, 2010.

**FISCAL IMPACT**

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

**BACKGROUND**

The Single Audit Act of 1984 and subsequent amendments was enacted to obtain consistency and uniformity among federal agencies for the audit of states, 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.

Item: \_\_\_\_\_  
Finance and Management Committee  
April 26, 2011

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*.

## **KEY ISSUES AND IMPACTS**

Macias, Gini & O'Connell LLP audited the City's federal award programs for the fiscal year ended June 30, 2010. The audit was conducted in accordance with *Generally Accepted Auditing Standards* and *Government Auditing Standards*. The auditors reviewed the City's internal controls for compliance requirements applicable to each of its major federal programs. No material weaknesses were identified.

### **Federal Award Findings and Questioned Cost**

The *Single Audit Act* and *Office of Management and Budget (OMB) Circular A-133* require any audit findings and/or questioned costs to be incorporated into the Single Audit Report along with a corrective action plan. The Single Audit Report for fiscal year ended June 30, 2010 contains no audit findings.

The Single Audit Report disclosed no other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and also the City complied, with all material respects, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010.

## **SUSTAINABLE OPPORTUNITIES**

There are no economic, environmental, or social equity opportunities resulting from this report.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

The information contained in this report does not impact disability and senior citizen access.

## **RECOMMENDATION(S) AND RATIONALE**

Staff recommends that the City Council accept the June 30, 2010 Single Audit Report.

**ACTION REQUESTED OF THE CITY COUNCIL**

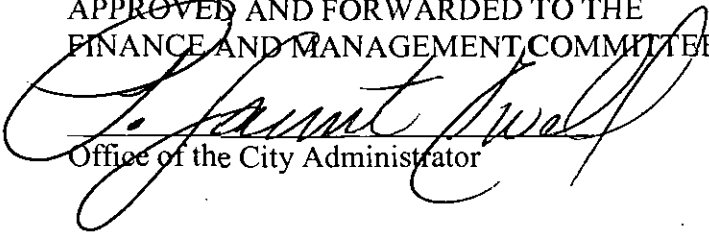
Staff recommends that the City Council accept the June 30, 2010 Single Audit Report.

Respectfully submitted,

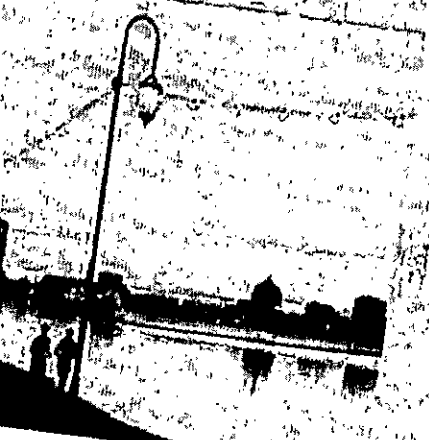
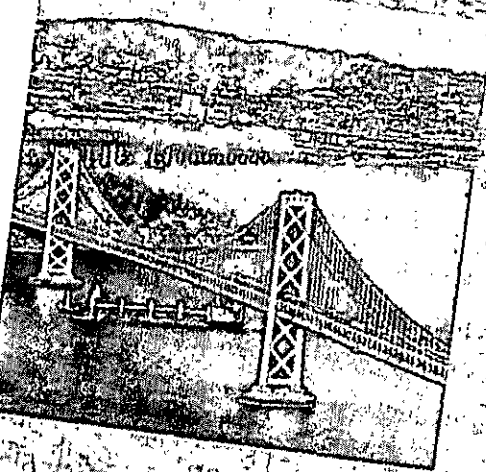
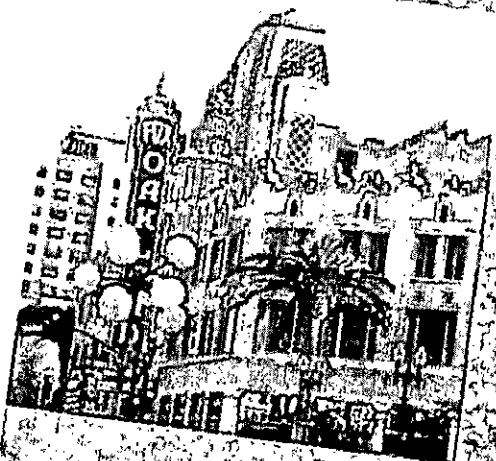
  
\_\_\_\_\_  
Joseph T. Yew, Jr.  
Finance Director/City Treasurer

Prepared by:  
Osborn Solitei, Controller  
Finance and Management Agency

APPROVED AND FORWARDED TO THE  
FINANCE AND MANAGEMENT COMMITTEE:

  
\_\_\_\_\_  
Office of the City Administrator

Attachments:  
Single Audit Report

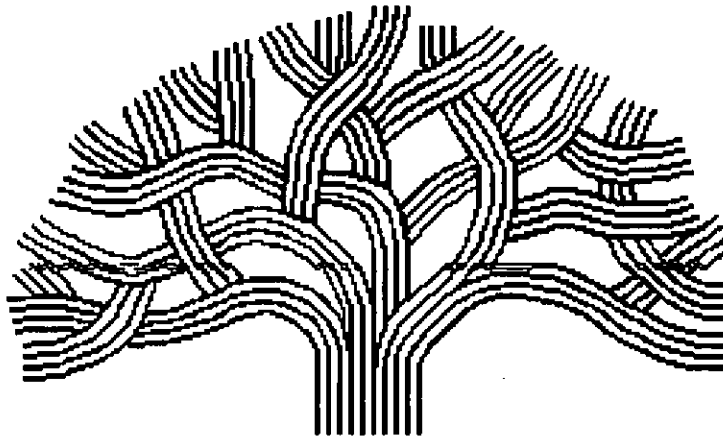


# CITY OF OAKLAND, CALIFORNIA

SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2010

City of Oakland

**CITY OF OAKLAND  
CALIFORNIA**



**SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2010**

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

JOSEPH T. YEW, JR. • DIRECTOR  
OSBORN K. SOLITEI • CONTROLLER

PRINTED ON RECYCLED PAPER

# SINGLE AUDIT REPORT

FISCAL YEAR ENDED JUNE 30, 2010

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# CITY OF OAKLAND

## SINGLE AUDIT REPORT

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*Finance Director/City Treasurer*

Osborn K. Solitei  
*Controller*

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Katano Kasaine  
Sharon Hoiman

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City Administrator's Office  
Community & Economic Development Agency,

City Attorney's Office

Police Services  
Human Services

# FINANCIAL SECTION

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

### Independent Auditor's Report

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 the City of Oakland, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 57%, 69% and 16%, respectively, of the assets, net assets/fund balances, and revenues/additions of the aggregate remaining fund information as of and for the year ended June 30, 2010. The OMERS and PFRS financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the report 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010, 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress and the budgetary comparison information for the general fund listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, supplemental schedules of revenue and expenditures prepared by the City's Department of Human Services, and supplemental schedule of expenditures of Alameda County Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, the State of California Department of Community Service and Development, and the County of Alameda, respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountants

Oakland, California  
December 8, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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 City's total assets exceeded its total liabilities by \$689.3 million as of June 30, 2010, compared to \$735.0 million at June 30, 2009. This represents a net decrease of \$64.7 million or 8.6 percent compared to the previous year. Assets decreased by 0.9 percent or net of \$27.4 million, the net decrease is primarily attributed to a decrease of net pension assets in the amount of \$43.8 million to reflect annual pension cost, an increase in capital assets by \$32.6 million and an offset of a combined decrease of \$60.9 million in pooled and restricted cash and investments attributable to spending bond proceeds for capital improvement. Conversely, liabilities increased by 1.7 percent or \$37.3 million compared to the prior fiscal year primarily as a result of debt issuance for a total of \$67.7 million and interest rate swap agreement negative fair value of \$19.1 million.
- The City's governmental cumulative fund balances decreased by 3.0 percent or \$31.9 million to \$1,044.4 million compared to \$1,076.3 million for the prior fiscal year. This decrease is primarily attributed to a \$39.2 million or 3.6 percent increase in overall governmental expenditures for its operations and a \$17.7 million or 1.9 percent the decrease in overall governmental revenue.
- As of June 30, 2010, the City had total long-term obligations outstanding of \$2.0 billion compared to \$1.99 billion outstanding for the prior fiscal year for an increase of 0.6 percent or \$11.4 million. Of this amount, \$366.2 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.63 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.
- The City's General Fund unreserved/undesignated fund balance at June 30, 2010 was \$41.4 million compared to \$40.7 million for the previous year, an increase of 1.7 percent or \$0.7 million. The unreserved/undesignated fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Fund expenditures for fiscal year 2010.

## 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 contain 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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 assets changed during the most recent fiscal year. All changes in net assets 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, life enrichment, community and economic development, and public works. The business-type activities of the City include the sewer service system and the parks and recreation.

### 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 fund balance sheet and the governmental fund 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 fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, federal and state grant special revenue fund, Oakland Redevelopment Agency (Agency) as a blended component unit of the City, and municipal capital improvement 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 non-major 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 fund 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 assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2010 by \$689.3 million compared to \$735.0 million as of June 30, 2009, decrease of \$64.7 million. The largest portion of the City's net assets, 85.9 percent, reflects its investment in capital assets of \$592.4 million for governmental and business-type activities net of related debt. Of the remaining balance, 54.0 percent reflects \$372.4 million in resources that are subject to external restrictions on how they may be used. The unrestricted net asset deficit of \$275.6 million is primarily attributed to a decrease of annual pension cost of \$43.8 million as of June 30, 2010 offset by a slight increase of 1.4 percent in ongoing project expenditures related to governmental activities and a 4.9 percent decrease in revenues.

### City of Oakland's Net Assets June 30, 2010 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009 (1)	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 1,721,741	\$ 1,783,821	\$ 39,826	\$ 37,789	\$ 1,761,567	\$ 1,821,610
Capital assets	956,574	930,838	160,407	153,513	1,116,981	1,084,351
<b>TOTAL ASSETS</b>	<b>2,678,315</b>	<b>2,714,659</b>	<b>200,233</b>	<b>191,302</b>	<b>2,878,548</b>	<b>2,905,961</b>
<b>Liabilities:</b>						
Long-term liabilities	1,941,296	1,908,258	58,327	60,987	1,999,623	1,969,245
Other liabilities	187,583	181,425	2,062	1,317	189,645	182,742
<b>TOTAL LIABILITIES</b>	<b>2,128,879</b>	<b>2,089,683</b>	<b>60,389</b>	<b>62,304</b>	<b>2,189,268</b>	<b>2,151,987</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	478,689	442,793	113,718	113,961	592,407	556,754
Restricted	372,439	338,514	-	-	372,439	338,514
Unrestricted (deficit)	(301,692)	(175,313)	26,126	15,037	(275,566)	(160,276)
<b>Total net assets</b>	<b>\$ 549,436</b>	<b>\$ 605,994</b>	<b>\$ 139,844</b>	<b>\$ 128,998</b>	<b>\$ 689,280</b>	<b>\$ 734,992</b>

(1) The June 30, 2009 balances were restated to reflect the impact of prior years interest rate swap agreement per GASB No. 53 and outstanding check balance of \$8.2 million.

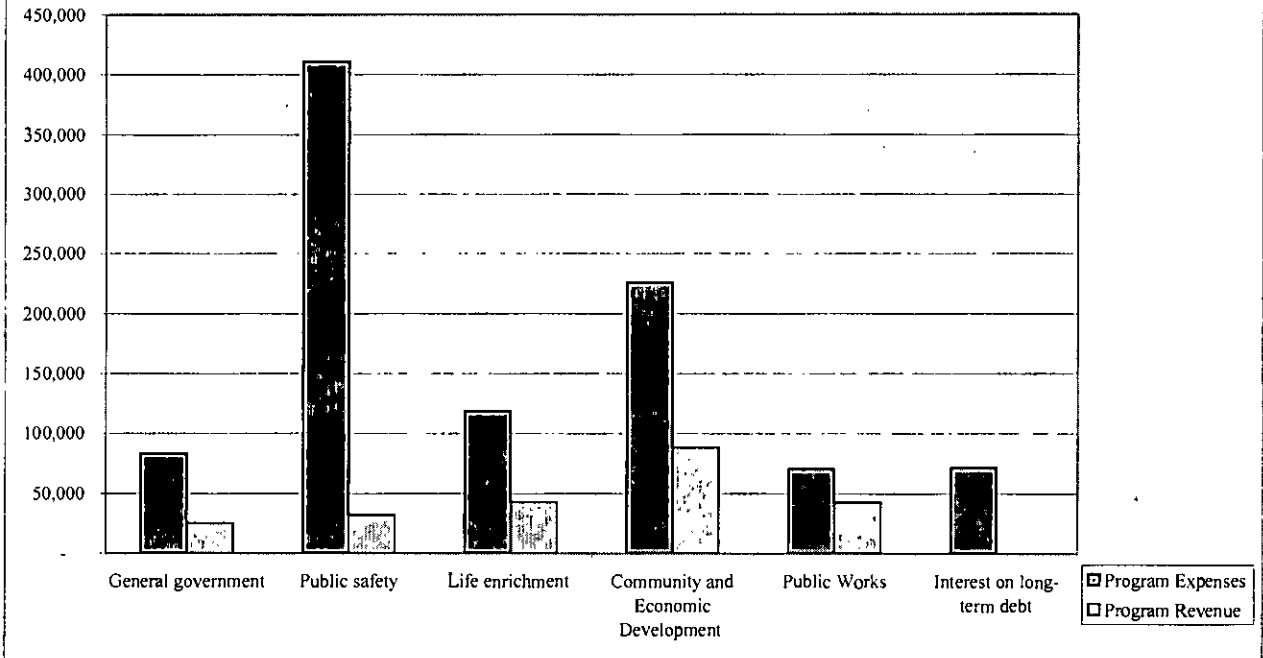
**Governmental activities.** The City's change in net assets is deficit of \$56.5 million for the year ended June 30, 2010 compared to a positive \$4.2 million for the previous fiscal year represents a net decrease of \$60.7 million. The key elements of this increase are listed below.

**Changes in Net Assets**  
**For the Year Ended June 30, 2010**  
*(In Thousands)*

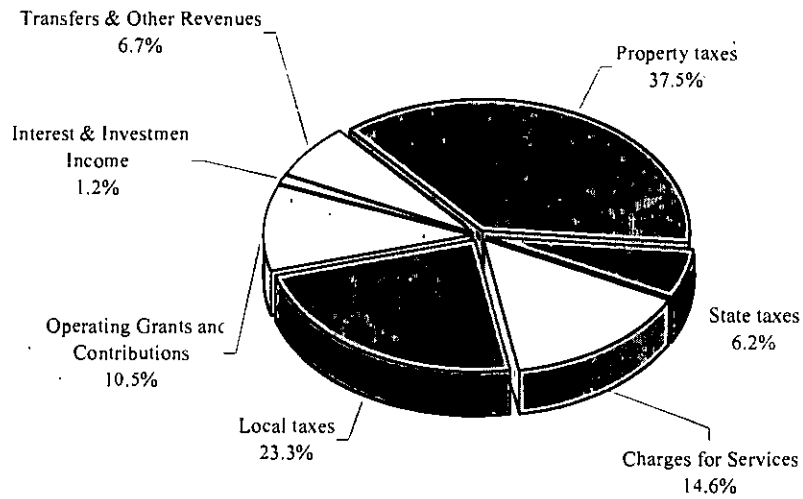
	Governmental Activities		Business-Type Activities		Totals	
	2010	2009 (1)	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 135,458	\$ 126,055	\$ 39,615	\$ 36,178	\$ 175,073	\$ 162,233
Operating grants and contributions	97,177	94,353	-	-	97,177	94,353
<b>General revenues:</b>						
Property taxes	346,859	359,851	-	-	346,859	359,851
<b>State taxes:</b>						
Sales and use taxes	45,503	56,090	-	-	45,503	56,090
Motor vehicles in-lieu tax	1,251	1,282	-	-	1,251	1,282
Gas tax	10,991	10,270	-	-	10,991	10,270
<b>Local taxes:</b>						
Business license	54,141	54,291	-	-	54,141	54,291
Utility consumption	51,107	52,701	-	-	51,107	52,701
Real estate transfer	36,971	34,267	-	-	36,971	34,267
Transient occupancy	10,085	10,599	-	-	10,085	10,599
Parking	13,885	14,196	-	-	13,885	14,196
Voter approved special tax	35,228	33,772	-	-	35,228	33,772
Franchise	14,655	14,440	-	-	14,655	14,440
Interest and investment income	10,894	25,917	113	590	11,007	26,507
Other	58,374	81,885	-	-	58,374	81,885
<b>Total revenues</b>	<b>922,579</b>	<b>969,969</b>	<b>39,728</b>	<b>36,768</b>	<b>962,307</b>	<b>1,006,737</b>
<b>Expenses:</b>						
General government	83,295	94,957	-	-	83,295	94,957
Public safety	411,333	424,435	-	-	411,333	424,435
Life enrichment	119,254	119,659	-	-	119,254	119,659
Community & economic development	222,226	182,327	-	-	222,226	182,327
Public works	70,757	74,081	-	-	70,757	74,081
Interest on long-term debt	73,735	71,552	-	-	73,735	71,552
Sewer	-	-	26,899	25,530	26,899	25,530
Parks and recreation	-	-	520	652	520	652
<b>Total expenses</b>	<b>980,600</b>	<b>967,011</b>	<b>27,419</b>	<b>26,182</b>	<b>1,008,019</b>	<b>993,193</b>
Change in net assets before transfers	(58,021)	2,958	12,309	10,586	(45,712)	13,544
Transfers	1,463	1,200	(1,463)	(1,200)	-	-
<b>Change in net assets</b>	<b>(56,558)</b>	<b>4,158</b>	<b>10,846</b>	<b>9,386</b>	<b>(45,712)</b>	<b>13,544</b>
Net assets - Beginning as previously reported	605,994	620,818	128,998	119,612	734,992	740,430
Restatement	-	(18,982)	-	-	-	-
Net assets - Beginning as restated	605,994	601,836	128,998	119,612	734,992	740,430
<b>Net assets at end of year</b>	<b>\$ 549,436</b>	<b>\$ 605,994</b>	<b>\$ 139,844</b>	<b>\$ 128,998</b>	<b>\$ 689,280</b>	<b>\$ 753,974</b>

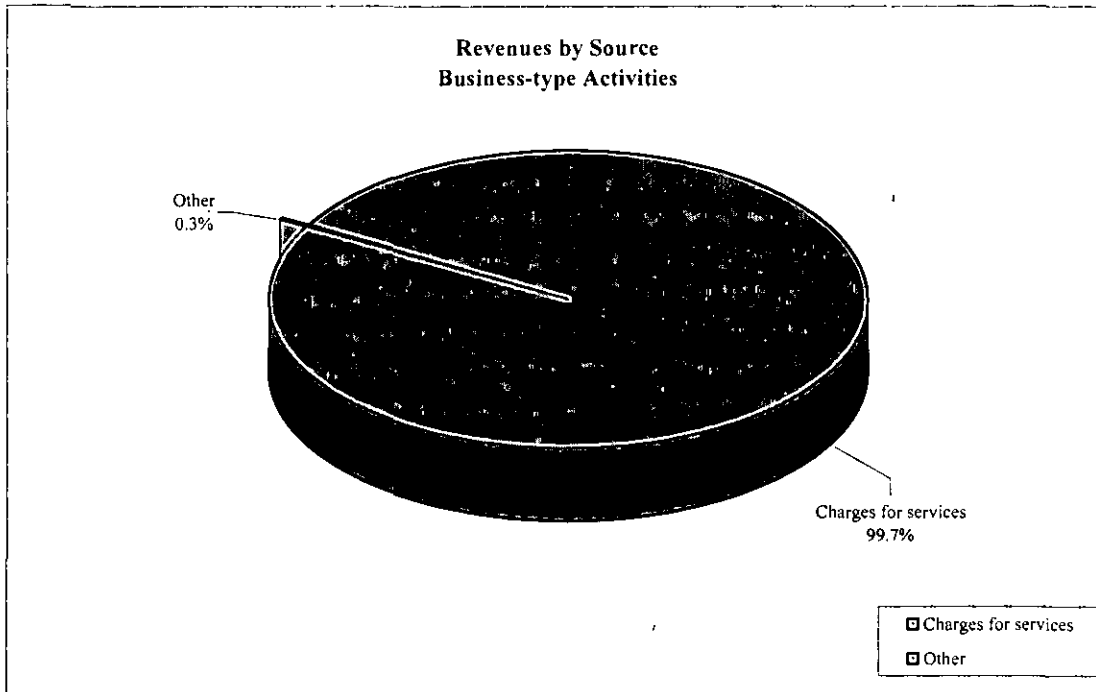
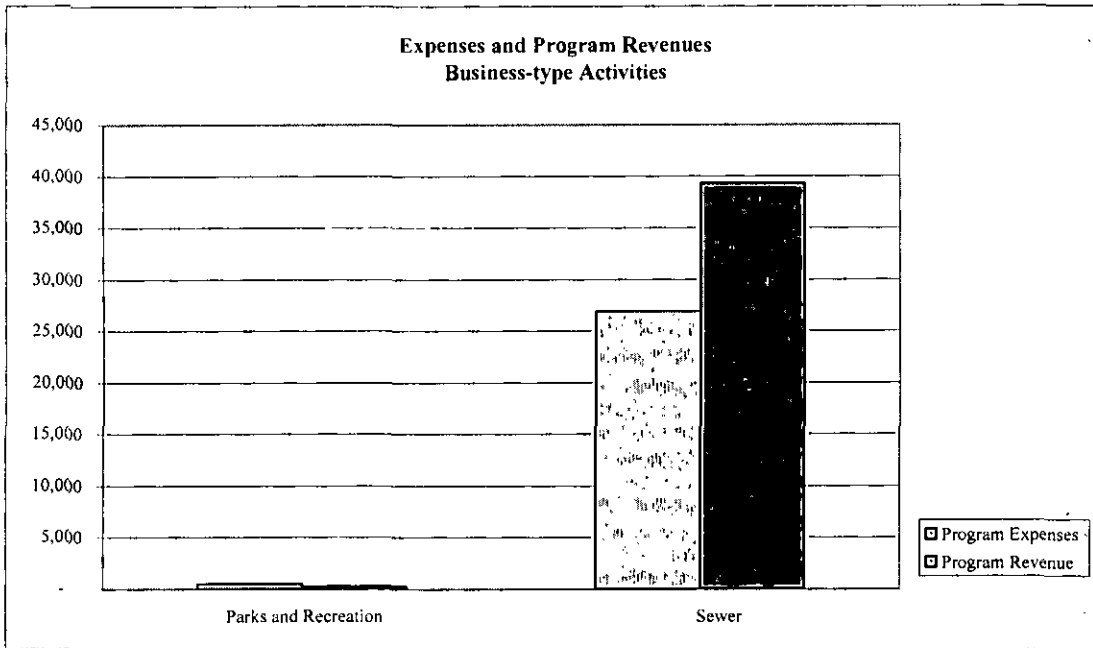
(1) The June 30, 2009 balances were restated to reflect the impact of prior years interest rate swap agreement per GASB No. 53.

### Expenses and Program Revenues Governmental Activities



### Revenues by Sources Governmental Activities





**Governmental activities:** Net assets for governmental activities decreased by \$56.5 million or 9.3 percent during 2009-10 from \$606 million to \$549.5 million. Total revenue decreased at rate of 4.7 percent compared to expenses decreased at a rate of 1.6 percent. During 2008-09, revenues increased at a rate of 0.3 percent and expenses decreased at rates of 2.0 percent, respectively.

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

- Contributing to the decrease in total revenue; property taxes experience an decrease of \$13.0 million or 3.6 percent, this is mainly due to aggressive property revaluations by the County; state taxes also decreased by \$9.9 million or 14.6 percent, this is mainly due to sluggish economy and a negative true-up of overpayment made by the State in their FY 2008-09 “Triple Flip” allocation to the City. Investment income also decreased by \$15.0 million or 58.0 percent due to earned interest yield reflects a lower interest rate environment experienced during the year. The decreases are offset by a slight increase in charges for services by \$9.4 million, local taxes by \$1.8 million, and operating grants and contributions by \$2.8 million.
- General government expenses decreased by \$11.7 million or 12.3 percent when compared to previous year primarily due to budgets cuts, layoffs and hurlough days.
- Public safety expenses decreased by \$13.0 million or 3.1 percent when compared to the previous year due primarily to budget cuts, move from 84-hour to 80-hour schedule, and union contract concessions that include 4 percent cost-of-living increase deferred to FY 2013.
- Community and economic development expenses increased by \$39.9 million or 21.9 percent is primarily attributed to Supplemental Education Revenue Augmentation Fund (SERAF) revenue shift. The State total SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The City’s share of the SERAF revenue shift or payment was \$41.1 million in FY 2009-10.
- Public work expenses decreased by \$3.3 million or 4.5 percent is attributed to the reduction of expenditures in the Lighting & Landscape Assessment District (LLAD) and on-going construction improvement projects due to a slowdown in construction projects, budget cuts and furlough days.

**Business-type activities:** Business-type activities ended the fiscal year with a positive change in its net assets of \$10.8 million compared to \$9.4 million the previous fiscal year. The increase of \$1.4 million in net assets is attributable to \$3.9 million or 11.2 percent increase in sewer revenues offset by \$1.4 million or 5.4 percent increase in sewer project related expenses.

## 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, unreserved 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, 2010, its unreserved fund balance is \$129.7 million or 55.6 percent of the \$233.3 million total General Fund balance.

In 2009-10, General Fund revenues of \$519.2 million were \$13.8 million or 2.6 percent lower than 2008-09 revenues of \$533.1 million. Due to a slowing economy and sluggish housing market and the revenues have decreased modestly from last year. The current year decrease is due primarily to the decreases in sales and use tax revenue of \$10.2 million, investment income of \$3.1 million, and property tax revenue of \$4.3 million, offset by a modest increase in annuity income of \$7.9 million, \$2.7 million in real estate transfer tax and \$3.1 million in charges for services.

In 2009-10, General Fund expenditures of \$437.1 million were \$35.9 million or 7.6 percent lower than 2008-09 expenditures of \$473.0 million. The decrease in expenditures was mainly due to \$26.4 million decrease in public safety, \$2.9 million decrease in information technology expenditures, and most other City Agencies reporting decreases in expenditures mainly due to budget cuts, layoffs, CalPERS Retirement Incentive Program ("Golden Handshake"), and furlough days.

**Federal and State Grant Fund:** The Federal and State Grant Fund had a fund balance of \$20.9 million as of June 30, 2010 that represents an increase of \$2.3 million or 12.5 percent over the prior fiscal year. The increase was primarily attributed to an increase of the federal and state grants by \$7.8 million over the previous year. The City received several "stimulus grants" through *the American Recovery and Reinvestment Act of 2009*. For example, the City was awarded \$19.7 million through the U.S. Department of Justice Community Oriented Policing Services Hiring Recovery Program (CHRP) to retain 41 officer's positions.

**Oakland Redevelopment Agency:** The Oakland Redevelopment Agency had a fund balance of \$551.7 million as of June 30, 2010 that represents a decrease of \$64.4 million or 10.5 percent from the prior fiscal year. The decrease is primarily attributed to \$41.1 million Supplemental Educational Revenue Augmentation Funds (SERAF) revenue shift from the Agency to the State in accordance with State Legislative passed Assembly Bill (AB) 26 4x. The payments SERAF payment was offset by a \$5.6 million reduction in urban redevelopment and housing spending and a \$29.3 million reduction in principal repayment of bonds and advances. The decrease in principal repayment represents a \$16.5 million repayment toward the Central District advance and a \$12.4 million repayment of the tax allocation bond, series 2005, in FY 2009. The revenue decrease

mainly attributed to a \$17.1 million decrease in tax increment; a \$12.7 million decrease in other revenue, and an \$8.2 million decrease in interest and investment income by a \$1.7 million increase in rents and reimbursements.

**Municipal Capital Improvement Fund:** The Municipal Capital Improvement Fund had a fund balance of \$86.8 million as of June 30, 2010 that represents an increase of \$44.7 million or 106.4 percent over the prior fiscal year. The net increase of \$44.7 million is attributed to two issuance of debt: a) \$64.5 million of *General Obligation Bond (Series 2009B, Measure DD)* to preserve and acquire open space, renovate parks, provide educational and recreation facilities for children, clean up Lake Merritt and restore Oakland's creeks, waterfront and estuary and b) \$3.1 million of *Piedmont Pines Phase I 2010 Limited Obligation Improvement Bonds* for under grounding of street lighting, electric power, telephone and other communication lines of special benefits to the property within the City's Utility Underground Assessment District No. 2007-232.

**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 assets invested in capital assets, net of related debt amounted to \$113.7 million as of June 30, 2010, compared to \$114.0 million for the previous fiscal year. The \$0.2 million or 0.2 percent decrease is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized \$6.9 million in sewer system completed projects, net of depreciation.

#### **General Fund Budgetary Highlights**

During the fiscal year ended June 30, 2010, General Fund had a \$16.4 million decrease in budgeted revenues between the original and final amended operating budget. The decrease is due to a slow economy and the City budget was revised April 29, 2010 to reflect shortfalls in revenues from various funding sources. Actual budgetary basis revenues of \$518.8 million were \$17.5 million more than the final amended budget. The increase is due primarily to increased property tax, real estate transfer tax and sales and use tax revenues.

In addition, there was a \$24.5 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 multi-year 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 \$438.8 million were \$2.0 million less than the amended budget. The net budget savings is attributed to (1) general budget cuts, (2) layoffs, and (3) furlough days.

## Capital Assets

The City's capital assets, net of depreciation, totaled \$1.12 billion as of June 30, 2010 compared to \$1.08 billion as of June 30, 2009, an increase of \$32.6 million or 3.0 percent. Governmental activities additions of \$80.8 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 \$31.3 million in additions against capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by \$6.9 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 \$192.4 million to a number of capital improvement projects for fiscal year 2011 through fiscal year 2012. 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 18 for more details in construction commitments.

## Debt Administration

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 \$1,129.6 million. The total amount of debt applicable to the debt limit was \$366.2 million. The resulting legal debt margin was \$763.4 million.

Beginning April 2010, Moody's Investors Services, Inc recalibrated its long-term U.S. Municipal ratings to its global rating scale and also Fitch Rating recalibrated its U.S. Public Finance rating to its global portfolio credit rating. The City of Oakland's underlying ratings after the recalibration for its general obligation bonds improved from last year; as of June 30, 2010, the rating were as follows:

Standard and Poor's Corporation	AA-
Moody's Investors Services, Inc	Aa2
Fitch, JBCA, Inc	AA-

Agency bond ratings as of June 30, 2010 were as follows:

	Moody's	Standard & Poors	Fitch, JBCA
Tax allocation bonds	A2	A+/A-	N/A
Housing set-aside revenue bonds	A2	A+	A+



As of June 30, 2010, the City had total long-term obligations outstanding of \$2.0 billion compared to \$1.99 billion outstanding for the prior fiscal year, an increase of 0.6 percent. Of this amount, \$366.2 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.63 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

**Outstanding Debt**  
**June 30, 2010**  
*(In Thousands)*

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	2010	2009 (1)	2010	2009	2010	2009
General obligation bonds	\$ 366,248	\$ 317,188	\$ -	\$ -	\$ 366,248	\$ 317,188
Tax allocation, Housing and Other bonds	488,900	505,765	-	-	488,900	505,765
Certificate of participation	7,210	10,375	-	-	7,210	10,375
Lease revenue bonds	270,670	296,985	-	-	270,670	296,985
Pension obligation bonds	210,595	248,455	-	-	210,595	248,455
Special assessment debt with government commitments	8,298	5,645	-	-	8,298	5,645
Accreted interest on appreciation bonds	172,971	148,580	-	-	172,971	148,580
Sewer-bonds & notes payable	-	-	56,088	58,630	56,088	58,630
Less: deferred amounts.						
Bond issuance premiums	26,846	28,691	2,239	2,357	29,085	31,048
Bond refunding loss	(26,396)	(30,858)	-	-	(26,396)	(30,858)
Total Bonds Payable	<u>1,525,342</u>	<u>1,530,826</u>	<u>58,327</u>	<u>60,987</u>	<u>1,583,669</u>	<u>1,591,813</u>
Notes & Leases payable	32,778	40,845	-	-	32,778	40,845
Other long-term liabilities	383,176	355,569	-	-	383,176	355,569
Total Outstanding Debt	<u>\$ 1,941,296</u>	<u>\$ 1,927,240</u>	<u>\$ 58,327</u>	<u>\$ 60,987</u>	<u>\$ 1,999,623</u>	<u>\$ 1,988,227</u>

(1) The June 30, 2009 balances were restated to reflect the impact of prior years interest rate swap agreement per GASB No. 53.

The City's overall total long-term obligations increased by \$11.4 million compared to fiscal year 2009. The net increase is primarily attributable to \$67.6 million issuance of new debt and the City debt principal payments.

## Summary of New Debt:

### ***Current Year Long-Term Debt Financing***

*Utility Underground Assessment District No. 2007-232, Piedmont Pines Phase I, 2010 Limited Obligation Improvement Bonds:* On February 23, 2010, the City of Oakland (the "City") issued \$3,148,483 of the above mentioned bond issue to finance the costs of the under grounding of street lighting, electric power, telephone and other communication lines of special benefit to the property with the Piedmont Pines District. The Bonds are payable from ad valorem taxes, which is from the unpaid assessments levied upon real property within the District.

*General Obligation Bonds, Series 2009B, Measure DD:* On July 22, 2009, the City of Oakland issued \$64,545,000 of the above mentioned bond issue to provide funds to improve water quality, provide educational and recreational facilities for children, clean up Lake Merritt, restore Oakland's creeks, waterfront and Estuary, preserve and acquire open space, renovate parks, and provide safe public spaces.

Additional information on the City's long-term debt obligations can be found in Note 12 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 years 2011-12.

The current unprecedented state of the economy has had direct and significant impacts on the City's declining revenue base. The fiscal issues addressed in the budget were deep and widespread, touching virtually every government service that Oakland provides. The City had to address a \$91 – 97 million annual General Purpose Fund shortfall in FY 2009-11 (18 – 19 percent of the baseline budget) This was on top of the \$42 million budget gap balanced just in November 2008 and further adjustments made in May 2009 to avoid and \$8 million shortfall. As a result, the policy and management decisions required by this budget were among the most difficult ever faced by this City. In closing the funding gap the City use a combination service reduction and union concessions, budget cuts, hiring freeze or position eliminations, furlough days and 2009 CalPERS two-year additional service credit retirement incentive program ("Golden Handshake").

Sluggish growth is projected in fiscal years 2011-12 for the City's major sensitive revenues including property tax, sales tax, vehicle license fees, business license tax, real estate transfer tax, and parking tax, due to uncertainties brought about by the continuing housing recession, the increase in home foreclosures, and tightened lending policies. The remaining areas, while impacted by overall economic performance, are driven by other factors, for

example, franchise fee is typically more heavily impacted by rate changes than economic growth.

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county Supplemental Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The Agency's share of the revenue shift was \$41,074,866 in fiscal year 2009-2010. As of June 30, 2010, the Agency remaining share of the SERAF payments is \$8,497,000 and its due on May 10, 2011. Further information regarding the City's response and SERAF impact is contained in the subsequent events footnote (18) to the basic financial statements.

The City of Oakland's unemployment rate increased to 17.2% in June 2010 compared to an average unemployment rate of 17.1% for July 2009.

The Bay Area's consumer price index for all urban consumers in June 2010 was 228.110 compared to the U.S. city average consumer price index (CPI-U) for all urban consumers at 217.965 (Base period: 1982 - 84 = 100).

Estimated population for January 1, 2010 is 430,666 with an estimated total number of households of 149,443, an average household size of 2.88 persons, and a per capita personal income of \$27,145.

CalPERS pension rates, and health care costs have been factored into the City's Fiscal Years 2011-12 budget and amending the municipal code to provide for a three (3) percent surcharge on the City's transient occupancy tax.

### **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 Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093.

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# BASIC FINANCIAL STATEMENTS

City of Oakland  
Statement of Net Assets  
June 30, 2010  
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
<b>ASSETS</b>				
Cash and investments	\$ 378,007	\$ 18,472	\$ 396,479	\$ 139,085
Receivables (net of allowance for uncollectibles of \$5,520 for City and \$3,220 for Port):				
Accrued interest	875	-	875	153
Property taxes	19,559	-	19,559	-
Accounts receivable	58,959	8,635	67,594	27,689
Grants receivable	21,208	-	21,208	-
Due from Port	15,766	-	15,766	-
Due from other governments	36	-	36	-
Inventories	902	-	902	-
Restricted assets:				
Cash and investments	535,752	12,152	547,904	84,418
Receivables	-	-	-	2,557
Property held for resale	163,919	-	163,919	-
Notes and loans receivable (net of allowance for uncollectibles of \$51,229 for the City)	311,616	-	311,616	-
Other	92	-	92	56,150
Unamortized bond issuance costs	15,047	567	15,614	-
Net pension asset	200,003	-	200,003	-
Capital assets:				
Land and other assets not being depreciated	139,912	6,181	146,093	647,584
Facilities, infrastructures, and equipment, net of depreciation	816,662	154,226	970,888	1,613,579
<b>TOTAL ASSETS</b>	<u>2,678,315</u>	<u>200,233</u>	<u>2,878,548</u>	<u>2,571,215</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	141,697	1,630	143,327	31,749
Accrued interest payable	18,895	145	19,040	12,259
Due to other governments	12,086	-	12,086	-
Due to primary government	-	-	-	15,766
Unearned revenue	5,017	282	5,299	119,149
Matured bonds and interest payable	520	-	520	-
Other	9,368	5	9,373	10,317
Non-current liabilities:				
Due within one year	177,652	2,778	180,430	65,205
Due in more than one year	1,763,644	55,549	1,819,193	1,425,784
<b>TOTAL LIABILITIES</b>	<u>2,128,879</u>	<u>60,389</u>	<u>2,189,268</u>	<u>1,680,229</u>
<b>NET ASSETS (deficit)</b>				
Invested in capital assets, net of related debt	478,689	113,718	592,407	879,258
Restricted net assets:				
Debt service	17,983	-	17,983	-
Pension	121,559	-	121,559	-
Urban redevelopment and housing	224,775	-	224,775	-
Other purposes	8,122	-	8,122	11,677
Unrestricted net assets (deficit)	(301,692)	26,126	(275,566)	51
<b>TOTAL NET ASSETS</b>	<u>\$ 549,436</u>	<u>\$ 139,844</u>	<u>\$ 689,280</u>	<u>\$ 890,986</u>

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, 2010  
(In Thousands)

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit Part of Oakland
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 83,295	\$ 24,382	\$ 972	\$ -	\$ (37,941)	\$ -	\$ (57,941)	
Public safety	411,333	14,900	17,491	-	(378,942)	-	(378,942)	
Life enrichment	119,254	8,128	34,984	-	(76,142)	-	(76,142)	
Community and economic development	222,226	48,765	39,843	-	(133,618)	-	(133,618)	
Public works	70,757	19,283	3,887	-	(27,587)	-	(27,587)	
Interest on long-term debt	73,715	-	-	-	(73,735)	-	(73,735)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>980,600</b>	<b>135,458</b>	<b>97,177</b>	<b>-</b>	<b>(747,965)</b>	<b>-</b>	<b>(747,965)</b>	
<b>Business-type activities:</b>								
Sewer	26,899	39,329	-	-	-	12,430	12,430	
Parks and recreation	520	286	-	-	-	(234)	(234)	
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>27,419</b>	<b>39,615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,196</b>	<b>12,196</b>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,008,019</b>	<b>\$ 175,073</b>	<b>\$ 97,177</b>	<b>\$ -</b>	<b>(747,965)</b>	<b>12,196</b>	<b>(735,769)</b>	
<b>Component unit:</b>								
Port of Oakland	\$ 337,947	\$ 285,225	\$ -	\$ 21,343				\$ (31,379)
<b>General revenues:</b>								
Property taxes					346,859	-	346,859	-
State taxes:								
Sales and use taxes					45,503	-	45,503	-
Motor vehicle in-lieu tax					1,251	-	1,251	-
Gas tax					10,991	-	10,991	-
Local taxes:								
Business license					54,141	-	54,141	-
Utility consumption					51,107	-	51,107	-
Real estate transfer					36,971	-	36,971	-
Transient occupancy					10,085	-	10,085	-
Parking					13,885	-	13,885	-
Voter approved special tax					35,228	-	35,228	-
Franchise					14,655	-	14,655	-
Interest and investment income					10,894	113	11,007	8,635
Other					58,374	-	58,374	24,524
Transfers					1,463	(1,463)	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>691,407</b>	<b>(1,350)</b>	<b>690,057</b>	<b>33,159</b>
Changes in net assets					(56,558)	10,846	(45,712)	1,780
Net Assets - Beginning, as originally reported					624,976	128,998	753,974	889,206
Adoption of Governmental Accounting Standards Board Statement No. 53					(18,982)	-	(18,982)	-
Net Assets - Beginning, as restated					605,994	128,998	734,992	889,206
<b>NET ASSETS - ENDING</b>					<b>\$ 549,436</b>	<b>\$ 139,844</b>	<b>\$ 689,280</b>	<b>\$ 890,986</b>

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

CITY OF OAKLAND  
Balance Sheet  
Governmental Funds  
June 30, 2010  
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 114,060	\$ 7,033	\$ 220,898	\$ -	\$ 35,350	\$ 377,341
Receivables (net of allowance for uncollectibles of \$3,580):						
Accrued interest	165	12	653	-	45	875
Property taxes	10,241	1,744	-	-	7,574	19,559
Accounts receivable	43,016	1,394	2,440	2	12,069	58,921
Grants receivable	-	15,597	-	-	5,611	21,208
Due from component unit	15,766	-	-	-	-	15,766
Due from other funds	66,048	158	13,842	383	1,316	81,747
Due from other government	-	-	36	-	-	36
Notes and loans receivable (net of allowance for uncollectibles of \$51,229)	8,399	116,510	156,038	-	30,669	311,616
Restricted cash and investments	121,565	8,116	192,471	94,159	118,624	534,935
Property held for resale	-	-	163,919	-	-	163,919
Other	35	-	32	-	25	92
<b>TOTAL ASSETS</b>	<b><u>\$ 379,295</u></b>	<b><u>\$ 150,564</u></b>	<b><u>\$ 750,329</u></b>	<b><u>\$ 94,544</u></b>	<b><u>\$ 211,283</u></b>	<b><u>\$ 1,586,015</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 119,206	\$ 9,163	\$ 3,211	\$ 1,024	\$ 7,660	\$ 140,264
Due to other funds	8,784	3,441	11,126	5,044	7,820	36,215
Due to other governments	290	257	11,475	-	64	12,086
Deferred revenue	17,411	115,812	172,212	-	37,748	343,183
Matured bonds and interest payable	-	-	-	520	-	520
Other	554	993	598	1,187	6,036	9,368
<b>TOTAL LIABILITIES</b>	<b><u>146,245</u></b>	<b><u>129,666</u></b>	<b><u>198,622</u></b>	<b><u>7,775</u></b>	<b><u>59,328</u></b>	<b><u>541,636</u></b>
<b>Fund balances</b>						
<b>Reserved:</b>						
Encumbrances	1,195	47,705	20,105	20,718	13,576	103,299
Debt service	2,177	-	4,467	445	127,528	134,617
Property held for resale	-	-	163,919	-	-	163,919
Capital projects	-	-	363,216	-	-	363,216
Pension obligations	100,000	-	-	-	-	100,000
<b>Unreserved reported in:</b>						
General fund	129,678	-	-	-	-	129,678
Special revenue funds	-	(26,807)	-	-	10,321	(16,486)
Capital projects funds	-	-	-	65,606	530	66,136
<b>TOTAL FUND BALANCES</b>	<b><u>233,050</u></b>	<b><u>20,898</u></b>	<b><u>551,707</u></b>	<b><u>86,769</u></b>	<b><u>151,955</u></b>	<b><u>1,044,379</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 379,295</u></b>	<b><u>\$ 150,564</u></b>	<b><u>\$ 750,329</u></b>	<b><u>\$ 94,544</u></b>	<b><u>\$ 211,283</u></b>	<b><u>\$ 1,586,015</u></b>

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 Assets  
 for Governmental Activities  
 June 30, 2010  
 (In Thousands)

Fund balances - total governmental funds		S 1,044,379
Amounts reported for governmental activities in the statement of net assets are different due to the following:		
Capital assets used in governmental activities are not a financial resource; therefore, are not reported in the funds.		
Primary government capital assets, net of depreciation	S 956,574	
Less: internal service funds' capital assets, net of depreciation	(14,471)	942,103
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the governmental activities on the statement of net assets.		
		15,047
Net pension asset is recognized in the statement of net assets as an asset; however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.		
		200,003
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.		
Interest payable on long-term debt for primary government	S (18,895)	
Add: Interest payable on long-term debt for internal service fund	60	(18,835)
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 revenue in the governmental funds.		
		338,166
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the governmental funds.		
Long-term liabilities	S (1,941,296)	
Less: long-term liabilities for internal service funds	5,302	(1,935,994)
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 assets.		
		(35,433)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b>S 549,436</b>

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, 2010**  
*(In Thousands)*

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 194,591	\$ -	\$114,411	\$ -	\$ 40,082	\$ 349,084
State taxes:						
Sales and use tax	35,877	-	-	-	9,626	45,503
Motor vehicle in-lieu tax	1,251	-	-	-	-	1,251
Gas tax	-	3,867	-	-	7,124	10,991
Local taxes:						
Business license	54,138	-	-	-	3	54,141
Utility consumption	51,107	-	-	-	-	51,107
Real estate transfer	36,971	-	-	-	-	36,971
Transient occupancy	8,578	-	-	-	1,507	10,085
Parking	7,523	-	-	-	6,362	13,885
Voter approved special tax	-	13,118	-	-	22,110	35,228
Franchise	14,419	236	-	-	-	14,655
Licenses and permits	724	-	-	-	11,400	12,124
Fines and penalties	27,218	802	-	-	3,200	31,220
Interest and investment income	2,197	498	3,074	495	5,231	11,495
Charges for services	60,578	61	8,385	-	13,265	82,289
Other intergovernmental revenues	-	-	-	-	45,116	45,116
Federal and state grants and subventions	1,927	88,644	-	-	8,279	98,850
Annuity income	13,232	-	-	-	-	13,232
Other	8,912	1,415	3,268	507	4,782	18,884
<b>TOTAL REVENUES</b>	<u>519,243</u>	<u>108,641</u>	<u>129,138</u>	<u>1,002</u>	<u>178,087</u>	<u>936,111</u>
<b>EXPENDITURES</b>						
Current:						
Elected and Appointed Officials:						
Mayor	1,755	-	-	-	716	2,471
Council	3,000	-	-	-	1,574	4,574
City Administrator	7,044	250	-	-	3,741	11,035
City Attorney	8,002	63	-	-	5,447	13,512
City Auditor	1,344	14	-	-	73	1,431
City Clerk	2,444	-	-	-	343	2,687
Agencies/Departments:						
Human Resource Management	4,229	-	-	-	140	4,369
Information Technology	8,134	5	-	1	997	9,137
Financial Services	25,283	296	-	-	995	26,574
Contracting and Purchasing	2,100	-	-	-	-	2,100
Police Services	191,058	10,131	-	2	16,938	218,129
Fire Services	99,329	2,344	-	-	9,910	111,583
Life Enrichment:						
Parks and Recreation	15,108	247	-	47	4,857	20,259
Library	9,005	11,595	-	-	327	20,927
Cultural Arts and Museum	5,829	-	-	-	317	6,146
Aging & Health and Human Services	5,269	33,582	-	-	20,590	59,441
Community and Economic Development	4,847	23,564	147,796	2,313	48,785	227,505
Public Works	32,144	2,738	-	111	22,040	57,133
Other	5,785	-	656	598	1,289	8,328
Capital outlay	890	17,472	-	16,258	26,613	61,233
Debt service:						
Principal repayment	1,499	3,315	16,865	426	83,637	105,742
Bond issuance costs	511	-	-	1,047	-	1,558
Interest charges	2,507	699	28,252	19	37,620	69,097
<b>TOTAL EXPENDITURES</b>	<u>437,116</u>	<u>106,315</u>	<u>193,569</u>	<u>21,122</u>	<u>286,849</u>	<u>1,044,971</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>OVER (UNDER) EXPENDITURES</b>	<u>82,127</u>	<u>2,326</u>	<u>(64,431)</u>	<u>(20,120)</u>	<u>(108,762)</u>	<u>(108,860)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	-	67,693	-	67,693
Premiums on issuance of bonds	-	-	-	908	-	908
Property sale proceeds	5,013	-	-	-	-	5,013
Insurance claims and settlements	1,641	-	-	-	-	1,641
Transfers in	6,602	-	-	-	99,807	106,409
Transfers out	(99,282)	-	-	(3,745)	(1,698)	(104,725)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(86,026)</u>	<u>-</u>	<u>-</u>	<u>64,856</u>	<u>98,109</u>	<u>76,939</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(3,899)</u>	<u>2,326</u>	<u>(64,431)</u>	<u>44,736</u>	<u>(10,653)</u>	<u>(31,921)</u>
Fund balances - beginning	236,949	18,572	616,138	42,033	162,608	1,076,300
<b>FUND BALANCES - ENDING</b>	<u>\$ 233,050</u>	<u>\$ 20,898</u>	<u>\$551,707</u>	<u>\$ 86,769</u>	<u>\$151,955</u>	<u>\$ 1,044,379</u>

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, 2010  
*(In Thousands)*

Net change in fund balances - total governmental funds \$ (31,921)

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	\$ 80,834	
Retirement of capital assets	(5,537)	
Depreciation	(49,561)	
Less: net changes of capital assets within internal service funds	3,379	29,115

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 revenue	\$ (20,196)	
New notes and loans	23,641	3,445

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; therefore are not reported as an expenditure in the governmental funds.

8,248

Changes to the net pension assets, 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.

(43,791)

Bond issuance costs are expended in the governmental funds when paid, and are deferred and amortized over the life of the corresponding life of the bonds for purposes of the statement of net assets. This is the amount by which current year amortization expense exceeded bond issuance costs in the current period.

(1,023)

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 assets. 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 payments	\$ 105,742	
Issuance of bonds and notes	(67,693)	
Premium and discounts on bonds	(908)	37,141

Amortization of bond premiums and discounts 2,753

Amortization of refunding loss (4,462)

Additional accrued and accreted interest calculated on bonds and notes payable (24,443)

Principal payments of Coliseum Authority pledge obligation 3,350

Net changes in mandated environmental remediation obligation 1,375

Net changes on post employment benefits other than pension benefits (OPEB) (40,479)

Net changes on fair market value of interest swap agreements (101)

The net income of activities of internal service funds is reported with governmental activities 4,235

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (56,558)**

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

CITY OF OAKLAND  
Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2010  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 16,780	\$ 1,692	\$ 18,472	\$ 666
Accounts receivables (net of uncollectibles of \$1,608 and \$332) for the enterprise funds and internal service funds, respectively)	8,633	2	8,635	38
Due from other funds	-	-	-	66
Inventories	-	-	-	902
Restricted cash and investments	11,638	514	12,152	817
<b>Total Current Assets</b>	<u>37,051</u>	<u>2,208</u>	<u>39,259</u>	<u>2,489</u>
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	5,963	218	6,181	310
Facilities, equipment and infrastructure, net of depreciation	151,038	3,188	154,226	14,161
Total capital assets	157,001	3,406	160,407	14,471
Unamortized bond issuance costs	567	-	567	-
<b>Total Non-current Assets</b>	<u>157,568</u>	<u>3,406</u>	<u>160,974</u>	<u>14,471</u>
<b>TOTAL ASSETS</b>	<u>194,619</u>	<u>5,614</u>	<u>200,233</u>	<u>16,960</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	1,629	1	1,630	1,433
Accrued interest payable	145	-	145	60
Due to other funds	-	-	-	45,598
Unearned revenue	282	-	282	-
Other liabilities	5	-	5	-
Bonds, notes payable, and capital leases	2,778	-	2,778	1,610
<b>Total Current Liabilities</b>	<u>4,839</u>	<u>1</u>	<u>4,840</u>	<u>48,701</u>
Non-current Liabilities:				
Bonds, notes payable, and capital leases	55,549	-	55,549	3,692
<b>Total Non-current Liabilities</b>	<u>55,549</u>	<u>-</u>	<u>55,549</u>	<u>3,692</u>
<b>TOTAL LIABILITIES</b>	<u>60,388</u>	<u>1</u>	<u>60,389</u>	<u>52,393</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	110,312	3,406	113,718	10,103
Unrestricted (deficit)	23,919	2,207	26,126	(45,536)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>\$ 134,231</u>	<u>\$ 5,613</u>	<u>\$ 139,844</u>	<u>\$ (35,433)</u>

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 Assets  
Proprietary Funds  
For the Year Ended June 30, 2010  
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Rental	\$ -	\$ 286	\$ 286	\$ -
Sewer services	39,329	-	39,329	-
Charges for services	-	-	-	49,527
Other	-	-	-	156
<b>TOTAL OPERATING REVENUES</b>	<u>39,329</u>	<u>286</u>	<u>39,615</u>	<u>49,683</u>
<b>OPERATING EXPENSES</b>				
Personnel	10,199	93	10,292	18,644
Supplies	526	-	526	5,729
Depreciation and amortization	4,535	292	4,827	3,922
Contractual services and supplies	1,368	100	1,468	702
Repairs and maintenance	49	-	49	2,660
General and administrative	4,347	12	4,359	5,298
Rental	872	23	895	1,888
Other	2,254	-	2,254	6,098
<b>TOTAL OPERATING EXPENSES</b>	<u>24,150</u>	<u>520</u>	<u>24,670</u>	<u>44,941</u>
<b>OPERATING INCOME (LOSS)</b>	<u>15,179</u>	<u>(234)</u>	<u>14,945</u>	<u>4,742</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment income (loss)	108	5	113	(146)
Interest expense	(2,749)	-	(2,749)	(296)
Other, net	-	-	-	156
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(2,641)</u>	<u>5</u>	<u>(2,636)</u>	<u>(286)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	12,538	(229)	12,309	4,456
Transfers out	(1,463)	-	(1,463)	(221)
<b>TOTAL TRANSFERS</b>	<u>(1,463)</u>	<u>-</u>	<u>(1,463)</u>	<u>(221)</u>
Change in net assets (deficit)	11,075	(229)	10,846	4,235
Net Assets (deficit) - Beginning	123,156	5,842	128,998	(39,668)
<b>NET ASSETS (DEFICIT) - ENDING</b>	<u>\$ 134,231</u>	<u>\$ 5,613</u>	<u>\$ 139,844</u>	<u>\$ (35,433)</u>

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, 2010**  
*(In Thousands)*

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Perks and Recreation	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 39,151	\$ 3	\$ 39,154	\$ 49,656
Cash received from tenants for rents	-	286	286	-
Cash from other sources	-	-	-	156
Cash paid to employees	(10,199)	(93)	(10,292)	(18,644)
Cash paid to suppliers	(8,672)	(134)	(8,806)	(22,070)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>20,280</u>	<u>62</u>	<u>20,342</u>	<u>9,098</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from interfund loans	-	-	-	63
Repayment of interfund loans	-	-	-	(5,250)
Other, net (settlements, sales of property, rental)	-	-	-	156
Transfers out	(1,463)	-	(1,463)	(221)
<b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,463)</u>	<u>-</u>	<u>(1,463)</u>	<u>(5,252)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(11,247)	(474)	(11,721)	(553)
Long-term debt:				
Repayment of long-term debt	(2,542)	-	(2,542)	(2,510)
Interest paid on long-term debt	(2,837)	-	(2,837)	(296)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(16,626)</u>	<u>(474)</u>	<u>(17,100)</u>	<u>(3,359)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	108	5	113	(146)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>108</u>	<u>5</u>	<u>113</u>	<u>(146)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,299	(407)	1,892	341
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	26,119	2,613	28,732	1,142
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 28,418</u>	<u>\$ 2,206</u>	<u>\$ 30,624</u>	<u>\$ 1,483</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 15,179	\$ (234)	\$ 14,945	\$ 4,742
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Depreciation and amortization	4,535	292	4,827	3,922
Retirement of capital assets	-	-	-	10
Changes in assets and liabilities:				
Receivables	(178)	3	(175)	102
Inventories	-	-	-	29
Due from other funds	-	-	-	(2)
Accounts payable and accrued liabilities	744	1	745	295
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 20,280</u>	<u>\$ 62</u>	<u>\$ 20,342</u>	<u>\$ 9,098</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>				
Cash and investments	\$ 16,780	\$ 1,692	\$ 18,472	\$ 666
Restricted cash and investments	11,638	514	12,152	817
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 28,418</u>	<u>\$ 2,206</u>	<u>\$ 30,624</u>	<u>\$ 1,483</u>
<b>NON CASH ITEMS:</b>				
Amortization of bond premiums	\$ (118)	\$ -	\$ (118)	\$ -
Amortization of bond cost of issuance	30	-	30	-
	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ (88)</u>	<u>\$ -</u>

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

CITY OF OAKLAND  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010  
*(In Thousands)*

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	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,846	\$ 8,569
Receivables:		
Accrued interest and dividends	698	6
Accounts receivable	-	3
Investments	5,624	-
Restricted:		
Cash and investments:		
Short-term investments	7,360	-
U.S. government bonds	21,072	-
U.S. Corporate bonds and mutual funds	71,034	-
Domestic equities and mutual funds	148,688	-
International equities and mutual funds	42,890	-
Real estate mortgage loans	42	-
Total restricted cash and investments	<u>291,086</u>	-
Securities lending collateral	<u>16,715</u>	-
<b>TOTAL ASSETS</b>	<u>316,969</u>	<u>8,578</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	6,839	365
Securities lending collateral	<u>16,715</u>	-
<b>TOTAL LIABILITIES</b>	<u>23,554</u>	<u>365</u>
<b>NET ASSETS</b>		
Net assets held in trust	<u>\$ 293,415</u>	<u>\$ 8,213</u>

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

CITY OF OAKLAND  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2010  
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Member contributions	\$ 7	\$ -
Total contributions	7	-
Trust receipts	-	478
Investment income:		
Net appreciation in fair value of investments	36,766	-
Interest	3,840	25
Dividends	4,923	-
Securities lending	169	-
<b>TOTAL INVESTMENT INCOME (LOSS)</b>	<b>45,698</b>	<b>25</b>
Less investment expenses:		
Investment expenses	(1,373)	-
Borrowers rebates and other agent fees on securities lending transactions	(63)	-
Total investment expenses	(1,436)	-
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>44,262</b>	<b>25</b>
Other income	93	2,653
<b>TOTAL ADDITIONS (DEDUCTIONS)</b>	<b>44,362</b>	<b>3,156</b>
<b>DEDUCTIONS:</b>		
Benefits to members and beneficiaries:		
Retirement	42,546	-
Disability	25,506	-
Death	2,287	-
<b>TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES</b>	<b>70,339</b>	<b>-</b>
Administrative expenses	1,209	137
CEDA	-	134
Other	-	2,631
Police services	-	142
<b>TOTAL DEDUCTIONS</b>	<b>71,548</b>	<b>3,044</b>
Change in net assets	(27,186)	112
<b>NET ASSETS - BEGINNING</b>	<b>320,601</b>	<b>8,101</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 293,415</b>	<b>\$ 8,213</b>

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



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# NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2010**

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**(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY**

The City of Oakland, California, (the City or Primary Government) was incorporated on May 25, 1854, 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. The Port of Oakland (Port) is the City's discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize it possesses characteristics that it is legally separate from the City. 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.

**Blended Component Units**

The Redevelopment Agency of the City of Oakland (Agency) was activated on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. Its principal activities are acquiring real property for the purpose of removing or preventing blight, constructing improvements thereon, and rehabilitating and restoring existing properties. The Oakland City Council serves as the Board of the Agency. The Agency's funds are reported as a major governmental fund.

The Civic Improvement Corporation (Corporation) was created to provide a lease financing arrangement for the City. The Oakland City Council serves as the governing body for the Corporation. The Corporation's activities are reported in other governmental funds.

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 is composed of the City and the 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 government-wide statement of net assets.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**Discretely Presented Component Unit**

The 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. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (the Board) that is appointed by the City Council, upon nomination by the Mayor. The Board 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:

Finance and Management Agency, Accounting Division  
City of Oakland  
150 Frank H. Ogawa Plaza, Suite 6353  
Oakland, CA 94612-2093

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the City evaluated potential component units and determined that none of the remaining potential component units were individually significant to the City's reporting entity.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of inter-fund 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 units and legally separate entities 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 is 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 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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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 current fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the current 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 current. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred revenue. All other revenues are reported on a cash basis.

### **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. 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, 2010.

**Proposition 1A Borrowing by the State of California:** Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$11,217,005.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result no gain or loss was recorded.

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 used or expended for a specific purpose, activity or program.

The **Oakland Redevelopment Agency Fund** accounts for federal grants, land sales, rents and other revenues relating to redevelopment projects. Expenditures are comprised of land acquisitions and improvements and all other costs inherent to redevelopment activities.

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

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 program.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the purchase 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.

**Private Purpose Trust Funds:** (a) **Private Purpose Trust Fund** accounts 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 (b) **The Private Pension Trust Fund** accounts for employee deferred compensation fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the business-type activities in the government-wide and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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 nonoperating 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 nonoperating 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.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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## **Cash and Investments**

The City follows the practice of pooling cash of all operating funds for investment, except for the Oakland Redevelopment Agency Fund, 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.

## **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 inter-fund 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.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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### **Interest Rate Swap Agreement**

The City entered into an interest rate swap agreement to modify the interest rate on outstanding debt. Refer to Note 12 for additional information.

### **Inter-fund Transfers**

In the fund financial statements, inter-fund transfers are recorded as transfers in/out except for certain types of transactions that are described 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.

### **Bond Issuance Costs and Discounts/Premiums**

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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## Capital Assets

### Primary Government

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic 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. 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 market value at the date of donation. Capital outlay is recorded as expenditures in the general, federal/state grant, the Agency, municipal capital improvements, and other 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 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 City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The City reclassified these intangible assets from land as of July 1, 2009 in the amount of \$2,607,000. See Note 7 for additional information

**Discretely Presented Component Unit**

The Port 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 Agency's redevelopment program. These properties are both residential and commercial. Costs of administering Agency projects are charged to capital outlay expenditures as 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 Agency, property held for resale may generate rental or operating income. This income is recognized as it is earned in the Agency's statement of activities and generally is recognized in the Agency's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The Agency does not depreciate property held for resale, as it is the intention of the Agency to only hold the property for a period of time until it can be resold for development.

**Net Pension Asset**

In February 1997, 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 16 for the accounting treatment of the net pension asset.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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### **Compensated Absences - Accrued Vacation, Sick Leave, and Compensatory Time**

It is 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 three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and California Public Employees' Retirement System (PERS), collectively the Plans. Employer contributions and member contributions made by the employer to the 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 Plans. Refer to Note 16 for additional information.

### **Other Post Employment Benefits (OPEB)**

The OPEB obligation covers Police, Fire and Miscellaneous employees. The 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. At June 30, 2010, the City reported a net OPEB obligation of \$126,237,306. See Note 17 for additional information.

### **Pollution Remediation Obligations (GASB 49)**

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 12 for additional information.

### **Refunding of Debt**

Gains or losses occurring from advance refundings are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities reported

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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in the government-wide financial statements, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

### **Fund Balances**

Reservations of fund balances of the governmental funds indicate those portions of fund equity that are not available for appropriation or expenditure or which have been legally restricted to a specific use. The following is a brief description of the nature of certain reserves.

1. **Reserve for Encumbrances** – Encumbrances outstanding at fiscal year end are reported as reservations of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.
2. **Reserve for Debt Service** – This fund balance is reserved for the payment of debt service requirements in subsequent years.
3. **Reserve for Property Held for Resale** – This fund balance is reserved for the cost of developing and administering residential and commercial properties intended for resale.
4. **Reserve for Capital Projects** – This fund balance is reserved for ongoing projects in specific areas excluding the General Fund. This reservation includes \$91,251,000 reserved for low and moderate housing projects.
5. **Reserve for Pension Obligations** – This fund balance is reserved for the City's pension obligations and is restricted with New York Life Annuity Company.

Designations of portions of the General Fund unreserved fund balance have been made to indicate those portions of the fund balances which the City has tentative plans to utilize in a future period. These amounts may or may not result in actual expenditures. See Note 13 for specific designations.

### **Restricted Net Assets**

Restricted net assets are those assets, net of their related liabilities that have constraints placed on their use by laws and regulations of other governments, creditors, grantors, or contributors and restrictions imposed by law through constitutional provisions or enabling legislation. Accordingly, restricted assets may include principal and interest amounts accumulated to pay debt service, unspent grant revenues, certain fees and charges, and restricted tax revenues. At June 30, 2010, the government-wide statement of net assets

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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reported restricted net assets of \$372.4 million in governmental activities, none of which was restricted by enabling legislation.

### **Adoption of New Pronouncement**

Beginning Net Assets as of June 30, 2009 have been restated by \$18,981,573 to account for the Interest Rate Swap Agreement fair value, as required by implementing the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. See Note 12 for further information.

### **Effects of New Pronouncements**

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It establishes a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used. Specifically, GASB Statement No. 54 distinguishes fund balances between amounts that are considered nonspendable and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Fund balance amounts will be reported in the following classifications:

- Restricted – amounts constrained by external parties, constitutional provision or enabling legislation;
- Committed – amounts constrained by a government using its highest level of decision-making authority;
- Assigned – amounts a government intends to use for a particular purpose; and
- Unassigned – amounts that are not constrained at all will be reported in the general fund.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010, with earlier application encouraged.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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**

**Primary Government**

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.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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On August 31, 2010, the City Operating Fund or Investment Pool is rated 'AAA/VI+' by Fitch Ratings. Investment pools rated AAA reflect the high credit quality of the portfolio assets, a conservative investment policy, and appropriate management oversight and operational capabilities. The fund's VI+ volatility rating reflects low market risk and a capacity to return stable principal value meeting anticipated cash needs of the City and the Port of Oakland, even in adverse interest rate environments.

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.

The retirement systems' investment policies authorize investment in the domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans and real estate. The systems' investment portfolios are managed by external investment managers. During the year ended June 30, 2010, the number of external investment managers was nine for the PFRS and one for the OMERS.

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

	<u>Primary Government</u>			<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>		<u>Port</u>
Cash and investments	\$ 378,007	\$ 18,472	\$ 11,415	\$ 407,894	\$ 139,085
Restricted cash and investments	535,752	12,152	291,086	838,990	84,418
Restricted securities lending collateral	-	-	16,715	16,715	-
<b>TOTAL</b>	<b>\$ 913,759</b>	<b>\$ 30,624</b>	<b>\$ 319,216</b>	<b>\$ 1,263,599</b>	<b>\$ 223,503</b>
Deposits				\$ 31,989	\$ 1,557
Investments				1,231,610	221,946
<b>TOTAL</b>				<b>\$ 1,263,599</b>	<b>\$ 223,503</b>

\*\$913,759 consists of all governmental funds and the internal service funds.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**Investments - Primary Government**

**Custodial Credit Risk:** For investments, custodial risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability 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, 2010, the carrying amount of the City's deposits and bank balance was \$32.0 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, \$1.9 million was FDIC insured and \$30.1 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 obligations. 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. Long term debt shall be rated at least A by Standard and Poor's, Moody's Investors Service or Fitch Ratings.

Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. The City invests only in securities from highly rated entities. As of June 30, 2010, approximately 70% of the pooled investments was invested in "AAA" quality securities.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2010 (in thousands):

**Pooled Investments**

	Fair Value	Rating as of 06-30-10		
		AAA/Aaa	A1/P1/F1	Not Rated
U.S. Govt. Agency Securities	\$ 87,841	\$ 87,841	\$ -	\$ -
U.S. Govt. Agency Securities (Disc)	188,937	188,937	-	-
Money Market Funds	90,310	90,310	-	-
Local Agency Investment Fund (LAIF)	98,727	-	-	98,727
Negotiable Certificates of Deposit	21,992	-	21,992	-
Commercial Paper (Disc)	36,957	-	36,957	-
<b>Total Investment Pool</b>	<b>\$ 524,764</b>	<b>\$ 367,088</b>	<b>\$ 58,949</b>	<b>\$ 98,727</b>

**Restricted Investments**

	Fair Value	Rating as of 06-30-10			
		AAA/Aaa	A1/P1/F1	Bal	Not Rated
U.S. Govt. Agency Securities	\$ 13,042	\$ 13,042	\$ -	\$ -	\$ -
U.S. Govt. Agency Securities (Disc)	159,952	159,952	-	-	-
U.S. Treasury Securities	1,507	1,507	-	-	-
U.S. Treasury Securities (Disc)	1,499	1,499	-	-	-
Money Market Funds	170,715	170,597	-	-	118
Local Agency Investment Fund (LAIF)	3,413	-	-	-	3,413
Commercial Paper	576	-	576	-	-
Corporate Bonds	2,145	-	-	2,145	-
Local Government Bond	94,503	-	-	-	94,503
Annuity	100,000	-	-	-	100,000
<b>Total</b>	<b>\$ 547,352</b>	<b>\$ 346,597</b>	<b>\$ 576</b>	<b>\$ 2,145</b>	<b>\$ 198,034</b>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Concentration of Credit Risk:** The City has an investment policy related to 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 revenue anticipation notes. Per the policy, the investments 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, 2010 are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Percent of City's Investment Portfolio</u>
Federal National Mortgage Association	U.S. Government Securities	\$ 196,163	18.30%
Federal Home Loan Bank	U.S. Government Securities	212,432	19.81%
Oakland Joint Powers Financing Authority	Local Government Bond	94,503	8.81%
New York Life Insurance Company	Annuity	100,000	9.33%

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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

**Pooled Investments**

	Rating as of 06-30-10	
	Fair Value	Percent (%) of
	<u>Fair Value</u>	<u>Portfolio</u>
U.S. Govt. Agency Securities	\$ 87,841	16.74%
U.S. Govt. Agency Securities (Disc)	188,937	36.00%
Money Market Funds	90,310	17.21%
Local Agency Investment Fund (LAIF)	98,727	18.82%
Negotiable Certificates of Deposit	21,992	4.19%
Commercial Paper (Disc)	36,957	7.04%
<b>Total Investment Pool</b>	<b><u>\$ 524,764</u></b>	<b><u>100%</u></b>

**Restricted Investments**

	Rating as of 06-30-10	
	Fair Value	Percent (%) of
	<u>Fair Value</u>	<u>Portfolio</u>
U.S. Govt. Agency Securities	\$ 13,042	2.38%
U.S. Govt. Agency Securities (Disc)	159,952	29.22%
U.S. Treasury Securities	1,507	0.28%
U.S. Treasury Securities (Disc)	1,499	0.27%
Money Market Funds	170,715	31.19%
Local Agency Investment Fund (LAIF)	3,413	0.62%
Commercial Paper	576	0.11%
Corporate Bonds	2,145	0.39%
Local Government Bond	94,503	17.27%
Annuity	100,000	18.27%
<b>Total</b>	<b><u>\$ 547,352</u></b>	<b><u>100.00%</u></b>

**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 of its fair value 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 limits certain investments to short maturities such as Certificates of Deposit and Commercial Paper, whose maturities are 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

Council or authorized by bond covenants. The City continues to purchase a combination of shorter term and longer-term investments to minimize such risks.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2010, the City's pooled portfolio had a weighted average days to maturity of 145 days and had the following investments and original maturities (in thousands):

**Pooled Investments**

	Fair Value	Interest Rates (%)	Maturity		
			12 Months or Less	1 - 3 Years	3 - 5 Years
U.S. Govt. Agency Securities	\$ 87,841	0.343 - 2.68	\$ 24,354	\$ 42,068	\$ 21,419
U.S. Govt. Agency Securities (Disc)	188,937	0.00 - 0.225	188,937	-	-
Money Market Funds*	90,310	0.14 - 0.210	90,310	-	-
Local Agency Investment Fund (LAIF)*	98,727	0.53	98,727	-	-
Negotiable Certificates of Deposit	21,992	0.36 - 0.573	21,992	-	-
Commercial Paper (Disc)	36,957	0.12 - 0.265	36,957	-	-
<b>Total Investment Pool</b>	<b>\$ 524,764</b>		<b>\$ 461,277</b>	<b>\$ 42,068</b>	<b>\$ 21,419</b>

\* weighted average maturity used.

**Restricted Investments**

	Fair Value	Interest Rates (%)	Maturity			
			12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years +
U.S. Gov't Agency Securities	\$ 13,042	0.300 - 0.659	\$ 10,019	\$ 3,023	\$ -	\$ -
U.S. Gov't Agency Securities (Disc)	159,952	0.00 - 0.437	159,952	-	-	-
U.S. Treasuries	1,507	0.359	1,507	-	-	-
U.S. Treasuries (Disc)	1,499	0.152 - 0.172	1,499	-	-	-
Money Market Funds*	170,715	0.00 - 0.96	170,715	-	-	-
Local Agency Investment Fund*	3,413	0.53 - 4.85	3,413	-	-	-
Commercial Paper	576	0.889 - 1.985	576	-	-	-
Corporate Bonds	2,145	11.365	-	-	-	2,145
Local Government Bond	94,503	4.86	6,492	14,054	15,617	58,340
Annuity	100,000	3.60	-	-	-	100,000
<b>Total</b>	<b>\$ 547,352</b>		<b>\$ 354,173</b>	<b>\$ 17,077</b>	<b>\$ 15,617</b>	<b>\$ 160,485</b>

\* weighted average maturity used.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Foreign Currency Risk:** This is the risk that changes in exchange rates between the U.S. dollar and foreign currencies which 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, 2010, the City's investment in LAIF is \$102.1 million, (\$98.7 million in pooled investments and \$3.4 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$23.3 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$69.4 billion, 94.58% is invested in non-derivative financial products and 5.42% in structured notes and asset-backed securities. As of June 30, 2010, LAIF has a average life-month end of 203 days. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The 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.

### **Pensions Cash and Investments**

#### **Oakland Municipal Employee's Retirement System (OMERS)**

##### **City's Investment Pool and Deposits**

Cash and cash 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, 2010, OMERS share of the City's investment pool totaled \$45,086.

##### **Investments**

OMERS investment policy authorizes investments in domestic common stocks and bonds. During the year ended June 30, 2010, OMERS investment portfolio was managed by one external investment manager.

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, 2010, OMERS investment portfolio consists of shares of two investment funds (Funds). OMERS invests in the American Century Equity Fund and the HighMark Employee Benefit Flexible Bond Fund Commingled Fund. Specific guidelines for the Funds are detailed in the prospectus or declaration of Trust, for each individual fund.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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The following summarizes OMERS investment portfolio as well as the interest rate and the weighted average maturities of the funds as of June 30, 2010 (in thousands):

Investments	Fair Value	Yield	Weighted Average Maturity (Years)
Short-Term Investment	\$ 47	-	-
Equity Investments			
American Century Equity Mutual Fund	2,992	-	-
Fixed Income Investments			
HighMark Employee Benefit Flexible Bond Fund*	1,702	2.9%	5.4
<b>Total Equity &amp; Fixed Investment</b>	<u>4,694</u>		
<b>Total Investment</b>	<u>\$ 4,741</u>		

\* The Plan became invested in the HighMark Employee Benefit Flexible Bond Fund in FY 2010.

**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) at the fair market value. During the year ended June 30, 2010, OMERS replaced its fixed income portfolio with shares of the HighMark Employee Benefit Flexible Bond 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, the 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 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.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Derivatives:** OMERS has adopted GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009. The statement addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. OMERS has no derivatives as of June 30, 2010.

**Oakland Police and Fire Retirement System (PFRS)**

**Cash and Cash Deposits**

As of June 30, 2010, 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, 2010, PFRS share of the City's investment pool totaled \$1,693,428.

PFRS has a money market account with Alta Alliance Bank in the amount of \$1,089,286 and a cash balance of \$18,002 in their international custodian accounts. Of the total cash and cash deposits not held in the City's investment pool, \$286,002 was FDIC insured and \$839,286 was collateralized with securities held by the pledging financial institution in PFRS name, in accordance with Section 53652 of the California Government Code.

**Investments**

PFRS investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income, 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, 2010, the number of external investment managers was nine.

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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maturity of 15 years. PFRS investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the fixed 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 an account's market 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 4.54 years as of June 30, 2010.

As of June 30, 2010, PFRS had the following fixed income investments by category (in thousands):

**Short-Term Investment Duration:**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (Year)</u>
U.S. Treasuries	\$ 2,749	0.23
Short-Term Investment Funds	4,564	N/A
<b>Total Short-Term Investments</b>	<b>\$ 7,313</b>	

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Long-Term Investment Duration:**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (Year)</u>
Government Bonds:		
U.S. Treasuries	\$ 13,710	4.59
U.S. Government Agencies	7,362	2.54
Total Government Bonds	<u>21,072</u>	
U.S. Corporate Bonds	17,372	3.94
Bond iShares:		
TIPS Bond Fund	10,288	7.85
Aggregate Bond Fund	41,672	4.30
Total Bond iShares	<u>51,960</u>	4.54
Total Fixed Income Investments	<u>\$ 90,404</u>	
Securities Lending Collateral	<u>\$ 16,715</u>	0.01

**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, 2010 concerning credit risk of fixed income securities (in thousands):

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>
U.S. Treasuries	AAA/Aaa	\$ 2,749
Short-Term Investment Funds	Not Rated	4,564
Total Short-Term Investments		<u>\$ 7,313</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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The following tables provide information as of June 30, 2010 concerning credit risk of fixed income and long-term investment rating (in thousands):

<u>S &amp; P/Moody's Rating</u>	<u>Fair Value</u>	<u>Percent of Total Fair Value</u>
AAA/Aaa	\$ 37,061	41.00%
AA /Aa	42,928	47.49%
A/A	6,215	6.87%
BBB/Baa	1,803	1.99%
BB/Ba	1,833	2.03%
B/B	564	0.62%
Total Fixed Income Investments	<u>\$ 90,404</u>	<u>100.0%</u>

The following tables provide information as of June 30, 2010 concerning credit risk of securities lending collateral ratings (in thousands):

<u>S &amp; P/Moody's Rating</u>	<u>Fair Value</u>
AAA/Aaa	\$ 3,985
Not Rated	12,730
Total Security Lending	<u>\$ 16,715</u>

**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, 2010, no investment in any single insurer exceeded 5% of PFRS investments.

**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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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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.

**Derivatives:** PFRS has adopted GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009. The statement addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. PFRS has no derivatives as of June 30, 2010.

**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 the PFRS investments denominated in foreign currencies as of June 30, 2010 (in thousands):

<u>Foreign Currency</u>	<u>Total</u>
Australian Dollar	\$ 947
Danish Krone	410
Euro	2,382
Hong Kong Dollar	1,757
Japanese Yen	2,014
South African Rand	179
Swedish Krona	227
Swiss Franc	962
United Kingdom Pound	2,636
<b>Total Foreign Currency</b>	<b><u>\$ 11,514</u></b>

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**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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.

Metropolitan West Securities, Inc. (MetWest) administers the securities lending program. MetWest 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, 2010, 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 MetWest 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, 2010 (in thousands):

<b>Securities Lending</b>	
<b>Investments and Collateral Received (At Fair Value)</b>	
<b>Securities on loan:</b>	<b>Amount</b>
U.S. Corporate bonds	\$ 1,217
U.S. Equity	13,288
Non - U.S. Equity	1,736
Total securities on loan	\$ 16,241
<b>Invested cash collateral received:</b>	
Money market	\$ 12,731
Asset backed securities	3,984
Total Invested cash collateral received	\$ 16,715

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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, 2010 (in thousands):

<u>Securities Name</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Percent of Total Investment Fair Value</u>
Commercial Mortgage Pass-Through	4.64%	4/28/2032	\$ 1,435	0.50%

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Discretely Presented Component Unit**

**Port of Oakland**

The Port's cash, cash equivalents, investments and deposits consisted of the following at June 30, 2010 (in thousands):

Cash on hand	\$ 146
Deposits in Escrow	1,411
Investments	<u>221,946</u>
Total Cash and Investments	<u>\$ 223,503</u>

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, 2010 the Port had the following investments (in thousands):

	Fair Value	Credit Rating	Maturity	
			Less than 1 Year	5 Years +
U.S Treasury Notes	\$ 71,499	N/A	\$ 71,499	\$ -
Government Securities Money				
Market Mutual Funds	2,309	AAA	2,309	-
City Investment Pool	148,138	AAA	148,138	-
Total Investment	<u>\$ 221,946</u>		<u>\$ 221,946</u>	<u>\$ -</u>



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Investments Authorized by Debt Agreements**

The following are the maximum maturities for each type of investment as allowed under the Trust Indenture and the applicable Supplemental Indenture for each bond issue:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S Government Securities	None
U.S. Agency Obligations	None
Obligations of any State in the U.S	None
Prime Commercial Paper	270 days
FDIC Insured Deposits	None
Certificates of Deposits/Banker's Acceptances	None
Money Market Mutual Funds	None
State-sponsored Investment pools	None
Investment Contracts	None
Forward Delivery Agreement	None

**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 investment contracts or U.S. Treasury securities and structured so that the entire amount of the investment is available if the need should arise, regardless of changes in interest rates.

**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. Those that exceed 5% of the total investment are as follows.

<u>Issuer</u>	<u>Issuer Type</u>	<u>Percent of Investment</u>
U.S. Government	U.S. Treasury Notes	32.19%

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**Custodial Credit Risk**

For investments, custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the ability to recover the value of the investments or collateral securities in the possession of an outside party may be doubtful. Custodial risks also can include, but not limited to, fluctuation in the investment market and the Port, or its representatives to monitor the investments purchased are within the investment policy. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the Port shall be 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 Indenture. The carrying amount of Port deposits in escrow was \$1,411,000 at June 30, 2010. Bank balances and escrow deposits of \$250,000 at June 30, 2010 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of \$1,161,000 as of June 30, 2010, 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**(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 Agency are related to advances and interfund loans made by the City for projects, loans and services. The receivable amounts in the Agency relate to project advances made by the Agency for the City. The internal service funds borrowing will be repaid over a reasonable period of time as described in Note 20. The composition of interfund balances and transfers as of June 30, 2010, is as follows (in thousands):

**DUE FROM/DUE TO OTHER FUNDS:**

Receivables	Payable Fund	Amount
General Fund	Oakland Redevelopment Agency	\$ 9,203
	Other Governmental Funds	6,203
	Municipal Capital Improvement	5,044
	Internal Service Funds	45,598
	<b>TOTAL</b>	<u>66,048</u>
Federal/State Grant Fund	Oakland Redevelopment Agency	<u>158</u>
Oakland Redevelopment Agency	General Fund	8,784
	Federal/State Grant Fund	3,441
	Other Governmental Funds	1,617
<b>TOTAL</b>	<u>13,842</u>	
Municipal Capital Improvement	Oakland Redevelopment Agency	<u>383</u>
Other Governmental Funds	Oakland Redevelopment Agency	<u>1,316</u>
<b>TOTAL GOVERNMENTAL</b>		<u>81,747</u>
Internal Service Funds	Oakland Redevelopment Agency	66
<b>TOTAL</b>		<u>\$ 81,813</u>

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**INTERFUND TRANSFERS:**

<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>		
	General Fund	Other Governmental Funds	Total Governmental
General Fund	\$ -	\$ 99,282	\$ 99,282
Municipal Capital Improvement	3,220	525	3,745
Other Governmental Funds	1,698	-	1,698
Sewer Service Fund	1,463	-	1,463
Internal Service Funds	221	-	221
<b>Total</b>	<u>\$ 6,602</u>	<u>\$ 99,807</u>	<u>\$ 106,409</u>

The \$99.3 million transferred from the General Fund consists of transfers made to provide funding for the following:

- \$11.4 million for the Kids' First Children's Program
- \$87.7 million for debt service payments
- \$0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District

The \$3.2 million transferred from Municipal Capital Improvement to the General Fund consists of unspent insurance proceeds from the 1989 Loma Prieta earthquake damage to City Hall.

The \$1.7 million transfer from Other Governmental Funds to General Fund is to provide funding for the following:

- \$0.4 million for City's claims and liability payments
- \$0.9 million excess from 1985 Certificate of Participation debt payoff
- \$0.4 million for Motorola IPSS support and maintenance cost

The \$1.5 million transfer from the Sewer Service Fund to the General Fund to provide funding for the following:

- \$0.6 million for City-wide lease payments
- \$0.9 million for City's claims and liability payments

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

The \$0.5 million transfer from Municipal Capital Improvement Fund to Other Governmental Funds is for deposit to the debt reserve and redemption accounts.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**INTERFUND LOANS:**

Certain interfund loans made from the General Fund to the Oakland Redevelopment Fund have been removed as they are not expected to be repaid within a reasonable period of time. The loans continue to be obligations of the Agency, and will be recognized as other financing sources in the General Fund upon receipt. The table below shows the total amount of interfund loan due as of June 30, 2010 (in thousands).

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Oakland Center Project	\$ 13,853	\$ -	\$ 583	\$ 13,270

On July 20, 2010, the City Council approved a resolution forgiving the remaining balance of interest and principal owed by the Oakland Redevelopment Agency under the 1966 Oak Center repayment contract. The total amount of the interfund loan due as of June 30, 2010 is \$13,270,000.

**(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**

Payments for Special Services are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Third Clause and have priority over certain other expenditures of Port revenues. Special Services totaled \$6,566,000 and are included in "Operating Expenses." At June 30, 2010, \$9,284,000 was accrued as a current liability by the Port and as a receivable by the City.

**General Services and Lake Merritt**

Payments for General Services from 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, 2010, the Port accrued approximately \$3,617,000 of payments for General

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

Services as a current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately \$2,865,000 to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in 2010. 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 purpose costs.

**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 \$269,760 payable in twelve installments of \$22,480 per month, which is then split 50/50 between the Port and the City.

**(6) NOTES AND LOANS RECEIVABLE**

The composition of the City's notes and loans receivable as of June 30, 2010, is as follows (in thousands):

Type of Loan	General Fund	Federal/State Grant Fund	Oakland Redevelopment Agency	Other Governmental Funds	Total Governmental Funds/ Governmental Activities
Pass-through loans	\$ 8,344	\$ 3,440	\$ -	\$ 512	\$ 12,296
HUD Loans	-	112,235	-	-	112,235
Economic Development Loans and Other	142	4,326	203,056	30,790	238,314
Less: Allowance for uncollectable accounts	(87)	(3,491)	(47,018)	(633)	(51,229)
<b>TOTAL LOANS, NET</b>	<b>\$ 8,399</b>	<b>\$ 116,510</b>	<b>\$ 156,038</b>	<b>\$ 30,669</b>	<b>\$ 311,616</b>

As of June 30, 2010, the City has a total of \$311.6 million notes and loans receivable. All of the City's notes and loans receivables are offset with deferred revenue in the governmental funds as the collection of those notes and loans are not expected within the near future.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**(7) CAPITAL ASSETS AND LEASES**

**Primary Government**

Capital assets activity of the primary government for the year ended June 30, 2010, is as follows (in thousands):

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 78,473	\$ 17	\$ 1,401	\$ 1,277	\$ 78,366
Intangibles (easements)	2,607	-	-	-	2,607
Museum collections	447	34	-	-	481
Construction in progress	64,373	76,632	4,071	(78,476)	58,458
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<u>145,900</u>	<u>76,683</u>	<u>5,472</u>	<u>(77,199)</u>	<u>139,912</u>
Capital assets, being depreciated:					
Facilities and improvements	730,193	91	1,514	35,118	763,888
Furniture, machinery and equipment	174,933	4,040	5,202	3,935	177,706
Infrastructure	506,193	20	(1,452)	38,146	545,811
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<u>1,411,319</u>	<u>4,151</u>	<u>5,264</u>	<u>77,199</u>	<u>1,487,405</u>
Less accumulated depreciation:					
Facilities and improvements	309,560	21,991	1,514	-	330,037
Furniture, machinery and equipment	141,611	9,677	5,185	-	146,103
Infrastructure	175,210	17,893	(1,500)	-	194,603
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>626,381</u>	<u>49,561</u>	<u>5,199</u>	<u>-</u>	<u>670,743</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 930,838</u>	<u>\$ 31,273</u>	<u>\$ 5,537</u>	<u>\$ -</u>	<u>\$ 956,574</u>

With the adoption of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the City reviewed its capital assets and identified intangible assets (easements) previously recorded as land. The City reclassified these intangible assets from land as of July 1, 2009 in the amount of \$2,607,000.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Business-type activities:</b>					
<b>Sewer fund:</b>					
Capital assets, not being depreciated:					
Land	\$ 4	\$ -	\$ -	\$ -	\$ 4
Construction in progress	11,550	11,170	-	(16,761)	5,959
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<b>11,554</b>	<b>11,170</b>	<b>-</b>	<b>(16,761)</b>	<b>5,963</b>
Capital assets, being depreciated:					
Facilities and improvements	306	-	-	-	306
Furniture, machinery and equipment	877	43	-	-	920
Sewer and storm drains	216,162	34	-	16,761	232,957
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<b>217,345</b>	<b>77</b>	<b>-</b>	<b>16,761</b>	<b>234,183</b>
Less accumulated depreciation:					
Facilities and improvements	132	21	-	-	153
Furniture, machinery and equipment	738	23	-	-	761
Sewer and storm drains	77,740	4,491	-	-	82,231
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>78,610</b>	<b>4,535</b>	<b>-</b>	<b>-</b>	<b>83,145</b>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<b>138,735</b>	<b>(4,458)</b>	<b>-</b>	<b>16,761</b>	<b>151,038</b>
<b>SEWER FUND CAPITAL ASSETS, NET</b>	<b>150,289</b>	<b>6,712</b>	<b>-</b>	<b>-</b>	<b>157,001</b>
<b>Other Proprietary Funds:</b>					
Capital assets, not being depreciated:					
Land	218	-	-	-	218
Construction in progress	-	474	-	(474)	-
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<b>218</b>	<b>474</b>	<b>-</b>	<b>(474)</b>	<b>218</b>
Capital assets, being depreciated:					
Facilities and improvements	3,844	-	-	474	4,318
Furniture, machinery & equipment	369	-	-	-	369
Infrastructure	85	-	-	-	85
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<b>4,298</b>	<b>-</b>	<b>-</b>	<b>474</b>	<b>4,772</b>
Less accumulated depreciation:					
Facilities and improvements	987	267	-	-	1,254
Furniture, machinery & equipment	296	20	-	-	316
Infrastructure	9	5	-	-	14
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>1,292</b>	<b>292</b>	<b>-</b>	<b>-</b>	<b>1,584</b>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<b>3,006</b>	<b>(292)</b>	<b>-</b>	<b>474</b>	<b>3,188</b>
<b>OTHER PROPRIETARY FUNDS CAPITAL ASSETS, NET</b>	<b>3,224</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>3,406</b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 153,513</b>	<b>\$ 6,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 160,407</b>



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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

<b>Governmental Activities:</b>	
General Government	\$ 3,427
Public Safety	4,027
Life Enrichment	11,521
Community and Economic Development	7,737
Public Works	18,927
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	3,922
<b>TOTAL</b>	<u><u>\$ 49,561</u></u>
 <b>Business-Type Activities:</b>	
Sewer	\$ 4,535
Parks and Recreation	292
	<u><u>\$ 4,827</u></u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**Discretely Presented Component Units**

**Port of Oakland**

Capital assets activity for the Port for the year ended June 30, 2010, is as follows (in thousands):

	Balance July 1, 2009	Additions	Adjustments & Retirements	Transfers of Completed Construction	Balance June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 499,284	\$ 20,898	\$ -	\$ -	\$ 520,182
Intangibles (noise easements and air rights)	7,628	4,927	-	-	12,555
Construction in progress	127,714	35,769	-	(48,636)	114,847
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<b>634,626</b>	<b>61,594</b>	<b>-</b>	<b>(48,636)</b>	<b>647,584</b>
Capital assets, being depreciated:					
Building and improvements	809,563	-	(465)	36,237	845,335
Container cranes	177,980	-	(24,205)	-	153,775
Systems and structures	1,535,415	4	460	9,563	1,545,442
Other equipment	73,079	455	(710)	2,836	75,660
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<b>2,596,037</b>	<b>459</b>	<b>(24,920)</b>	<b>48,636</b>	<b>2,620,212</b>
Less accumulated depreciation:					
Building and improvements	372,784	34,130	-	-	406,914
Container cranes	84,567	6,401	18,001	-	72,967
Systems and structures	433,131	52,703	-	-	485,834
Other equipment	36,106	5,576	764	-	40,918
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>926,588</b>	<b>98,810</b>	<b>18,765</b>	<b>-</b>	<b>1,006,633</b>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<b>1,669,449</b>	<b>98,351</b>	<b>(6,155)</b>	<b>48,636</b>	<b>1,613,579</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 2,304,075</b>	<b>\$ (36,757)</b>	<b>\$ (6,155)</b>	<b>\$ -</b>	<b>\$ 2,261,163</b>

During fiscal year 2010, the Port's Maritime Division disposed of three container cranes for a loss of \$6,204,000. With the adoption of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the Port reviewed its capital assets and identified intangible assets (easements and air rights) previously recorded as land. The Port reclassified these intangible assets from land as of July 1, 2008 in the amount of \$7,628,000.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Capital Leases**

The capital assets leased to others at June 30, 2010, consist of the following (in thousands):

Land	\$ 364,707
Container cranes	153,775
Building and other facilities	<u>1,188,380</u>
Total	1,706,862
Less accumulated depreciation	<u>(478,275)</u>
Capital assets, net, on lease	<u><u>\$ 1,228,587</u></u>

**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, 2010, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	\$ 159,646
Contingent rentals in excess of minimums	14,537
Secondary use of facilities leased under preferential assignments	<u>317</u>
Total	<u><u>\$ 174,500</u></u>

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 with offsets of approximately \$7 million for contractual obligations. The net upfront fee of approximately \$53 million at June 30, 2010, is classified as short-term and long-term deferred revenue of \$1.0 million and \$52 million, respectively. The Port's goals for the concession and lease agreement for Berths 20-24 was, among other things, to maintain the continuous use and

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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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):

<u>Year</u>	<u>Rental Revenues</u>
2011	\$ 170,149
2012	165,298
2013	155,034
2014	154,882
2015	143,153
2016 - 2020	452,351
2021 - 2025	298,210
2026 - 2030	266,169
2031 - 2035	232,989
2036 - 2040	235,810
2041 - 2045	257,476
2046 - 2050	281,725
Thereafter	631,920
Total	<u>\$ 3,445,166</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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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):

<u>Year</u>	<u>Lease Revenues</u>
2011	\$ 357
2012	367
2013	378
2014	390
2015	401
2016 - 2020	2,194
2021 - 2025	2,544
2026 - 2030	2,949
2031 - 2035	3,419
2036 - 2040	3,963
2041 - 2045	4,594
2046 - 2050	5,326
Thereafter	4,648
Total	<u>\$ 31,530</u>

**(8) PROPERTY HELD FOR RESALE**

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

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Property held for resale	<u>\$ 129,870</u>	<u>\$ 34,049</u>	<u>\$ -</u>	<u>\$ 163,919</u>

The increase in Property Held for Resale represents \$4.1 million purchases of property in the Central District project area, \$27.0 million in the Coliseum project area and \$3.0 million in Central City East project area for the development purposes.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

**(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE**

Accounts payable and accrued liabilities payable as of June 30, 2010, for the City's individual major funds, non-major 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
<b>Governmental funds:</b>			
General	\$ 16,079	\$ 103,127	\$ 119,206
Federal/State grant fund	8,242	921	9,163
Oakland Redevelopment Agency	3,211	-	3,211
Municipal Capital Improvement Fund	937	87	1,024
Other governmental funds	7,660	-	7,660
<b>TOTAL</b>	<u>36,129</u>	<u>104,135</u>	<u>140,264</u>
<b>Governmental activities - Internal service funds</b>	<u>1,433</u>	<u>-</u>	<u>1,433</u>
<b>TOTAL</b>	<u>\$ 37,562</u>	<u>\$ 104,135</u>	<u>\$ 141,697</u>
<b>Business-type activities - Enterprise Funds:</b>			
Non-Major Parks & Recreation Fund	1	-	1
Sewer Service Fund	1,054	575	1,629
<b>TOTAL</b>	<u>\$ 1,055</u>	<u>\$ 575</u>	<u>\$ 1,630</u>

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2010, are as follows (in thousands):

Accounts payable	\$ 51
Investments payable	741
Accrued investment management fees	309
Member benefits payable	<u>5,738</u>
<b>Total Pension Trust Funds Accounts Payable and Accrued Liabilities</b>	<u>6,839</u>
<b>Private Purpose Trust Fund Accounts Payable</b>	<u>365</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 7,204</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**(10) DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2010, the various components of deferred revenue and unearned revenue reported were as follows (in thousands):

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>Governmental Funds:</b>			
General Fund	\$ 12,394	\$ 5,017	\$ 17,411
Federal and State Grants Fund	115,812	-	115,812
Oakland Redevelopment Agency	172,212	-	172,212
Other Governmental Funds	37,748	-	37,748
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 338,166</u>	<u>\$ 5,017</u>	<u>\$ 343,183</u>
<b>Business-type activities - Enterprise Funds:</b>			
Sewer Service	<u>\$ -</u>	<u>\$ 282</u>	<u>\$ 282</u>

**(11) 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 approximate effective interest rate of 2.500% for series A notes and 2.250% for series B notes (federally taxable). Principal and interest were paid on June 30, 2010.

The short-term debt activity for the year ended June 30, 2010, is as follows (in thousands):

<u>2009 - 2010 Tax &amp; Revenue</u> <u>Anticipation Notes</u>	<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending</u> <u>Balance</u>
Series A	\$ -	\$ 115,410	\$ (115,410)	\$ -
Series B (Federally Taxable)	-	46,965	(46,965)	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ 162,375</u>	<u>\$ (162,375)</u>	<u>\$ -</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**(12) LONG-TERM OBLIGATIONS**

**Long-term Obligations**

The following is a summary of long-term obligations as of June 30, 2010 (in thousands):

<b>Governmental Activities</b>			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
General obligation bonds (A)	2039	2.50 - 6.25%	\$ 366,248
Tax allocation, Housing and Other Bonds (B)	2037	2.50 - 8.50%	488,900
Certificate of participation (C)	2012	4.00 - 5.0%	7,210
Lease revenue bonds (C)	2027	3.0 - 5.50%	270,670
Pension obligation bonds (D)	2023	6.09 - 7.31%	210,595
Accreted interest (C) and (D)			172,971
City guaranteed special assessment district bonds (D)	2039	2.0 - 6.70%	8,298
Notes payable (C) and (E)	2016	1.70 - 8.27%	14,295
Capital leases (C) and (E)	2022	3.54 - 5.52%	18,483
Accrued vacation and sick leave (C)			39,460
Self-insurance liability - workers compensation (C)			75,695
Self-insurance liability - general liability (C)			40,067
Estimated environmental cost (B) and (C)			6,634
Pledge obligation for Coliseum Authority debt (C)			76,000
Net OPEB obligation (C)			126,237
Interest rate swap agreement (C)			19,083
<b>GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS</b>			<b>1,940,846</b>
<b>DEFERRED AMOUNTS:</b>			
Bond issuance premiums			26,846
Bond refunding loss			(26,396)
<b>GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS, NET</b>			<b>\$1,941,296</b>

Debt service payments are made from the following sources:

- (A) Property tax recorded in the debt service funds
- (B) Property tax allocated to the Oakland Redevelopment Agency based on increased assessed valuations in the project area
- (C) Revenues recorded in the general fund
- (D) Property tax voter approved debt
- (E) Revenues recorded in the special revenue funds



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**Business-Type Activities**

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund - Notes payable	2014	3.00 - 3.50%	\$ 1,708
Sewer fund - Bonds	2029	3.00 - 5.25%	54,380
Unamortized Bond Premium			2,239
BUSINESS-TYPE ACTIVITIES - TOTAL LONG-TERM OBLIGATIONS			<u>\$ 58,327</u>

**Component Unit - Port of Oakland**

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Parity bonds	2033	3.00 - 5.875%	\$ 1,350,390
Notes and loans	2030	0.1 - 5.00%	95,392
Total			1,445,782
Self - Insurance liability for workers' compensation			6,900
General liability			3,079
Accrued vacation, sick leave and compensatory time			5,610
Environmental remediation and other liabilities			22,141
Other post employment benefits			10,389
Total			1,493,901
Unamortized bond discounts and premiums, net			16,341
Deferred loss on refunding			(19,253)
COMPONENT UNIT TOTAL LONG-TERM OBLIGATIONS			<u>\$ 1,490,989</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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## **Revenues Pledged for the Repayment of Debt Service**

### **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, and Series 2006C TE/T, are all secured primarily by a pledge of tax increment revenues, consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas, and are equally and ratably secured on a parity with each TAB series. The total projected tax increment revenue through the period of the bonds is approximately \$3,100,961,349. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payments for these TABs is payable semi-annually on March 1 and September 1. The total principal and interest remaining on these TABs is \$657,153,936 which is 21.2 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the year ended June 30, 2010 was \$84,974,716 of which \$36,725,380 was used to pay debt service.

### **Housing Bonds**

The Housing Set-Aside TAB, which comprised of Series 2000T, Series 2006A, and Series 2006A-T are equally and ratably secured by the pledge and lien of the 20% tax increment revenue set-aside and voluntary 5% for the low and moderate income housing fund. The total projected 20% set-aside and 5% voluntary revenue through the period of the bonds is approximately \$812,044,115 and \$203,011,029, respectively. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on February 1 and August 1. The total principal and interest remaining on these Housing TABs is \$147,965,903, which is 14.6 percent of the total projected set-aside and voluntary tax increment revenues. The pledged 20% set-aside and 5% voluntary tax increment revenue recognized during the year ended June 30, 2010 was \$28,324,000, of which \$7,506,111 was used to pay debt service.

### **Debt Compliance**

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

### **Legal Debt Limit and Legal Debt Margin**

As of June 30, 2010, the City's debt limit (3.75% of valuation subject to taxation) was \$1,129,612,382. The total amount of debt applicable to the debt limit was \$366,247,851. The resulting legal debt margin was \$763,364,531.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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:

Calculation period (Jul 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR (1)	Net Rate
2010	\$ 84,900,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2011	76,800,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2012	68,900,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2013	61,200,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2014	53,700,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2015	46,400,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2016	39,300,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2017	32,500,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2018	25,800,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2019	19,300,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2020	12,800,000	5.6775%	0.2266% <sup>2</sup>	5.4509%
2021	6,400,000	5.6775%	0.2266% <sup>2</sup>	5.4509%

<sup>1</sup> Rate is as of 1-month LIBOR on June 30, 2010

<sup>2</sup> Rates are projections, LIBOR rate fluctuates daily

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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*Terms.* The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2010 of \$84,900,000. 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 \$19,082,908 as of June 30, 2010. 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 Aa1 by Moody's Investors Service, and AAA by Standard and Poor's as of June 30, 2010. 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 falls 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 Authority would be liable to the counterparty for a payment equal to the Swap's fair value.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**Changes in Long-term Obligations**

The changes in long-term obligations for the year ended June 30, 2010, are as follows (in thousands):

<b>Governmental Activities</b>					
	Balance at July 1, 2009	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2010	Amounts due within one year
<b>Bonds Payable:</b>					
General obligation bonds	\$ 317,188	\$ 64,545	\$ 15,485	\$ 366,248	\$ 16,817
Tax allocation, Housing and Other bonds	505,765	-	16,865	488,900	19,365
Certificate of participation	10,375	-	3,165	7,210	3,315
Lease revenue bonds	296,985	-	26,315	270,670	27,870
Pension obligation bonds	248,455	-	37,860	210,595	14,959
City guaranteed special assessment district bonds	5,645	3,148	495	8,298	330
Accreted interest on appreciation bonds	148,580	24,391	-	172,971	24,021
Less deferred amounts:					
Bond issuance premiums	28,691	908	2,753	26,846	2,777
Bond refunding loss	(30,858)	-	(4,462)	(26,396)	(3,806)
<b>TOTAL BONDS PAYABLE</b>	<u>1,530,826</u>	<u>92,992</u>	<u>98,476</u>	<u>1,525,342</u>	<u>105,648</u>
Notes payable	17,610	-	3,315	14,295	2,000
Capital Leases	23,235	-	4,752	18,483	3,915
<b>TOTAL NOTES &amp; LEASES</b>	<u>40,845</u>	<u>-</u>	<u>8,067</u>	<u>32,778</u>	<u>5,915</u>
<b>Other Long-Term Liabilities</b>					
Accrued vacation and sick leave	36,260	55,134	51,934	39,460	28,523
Pledge obligation for Coliseum Authority debt	79,350	-	3,350	76,000	3,550
Estimated environmental cost	8,009	186	1,561	6,634	3,103
Self-insurance liability - workers compensation	77,973	33,445	35,723	75,695	18,909
Self-insurance liability - general liability	49,237	8,323	17,493	40,067	12,004
Net OPEB obligation	85,758	54,495	14,016	126,237	-
Interest rate swap agreement (1)	18,982	101	-	19,083	-
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<u>355,569</u>	<u>151,684</u>	<u>124,077</u>	<u>383,176</u>	<u>66,089</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES - LONG-TERM OBLIGATIONS</b>	<u>\$ 1,927,240</u>	<u>\$ 244,676</u>	<u>\$ 230,620</u>	<u>\$ 1,941,296</u>	<u>\$ 177,652</u>

(1) The July 1, 2009 balance were restated to reflect the impact of prior years interest rate swap agreement per GASB No. 53

Internal service funds predominantly serve the 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, 2010, \$5,301,867 of capital leases and notes payable related to the internal service funds are included in the above amounts.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**Business-Type Activities**

	Balance at July 1, 2009	Current maturities, retirements and net decreases	Balance at June 30, 2010	Amounts due within one year
Sewer fund - Notes payable	\$ 2,540	\$ 832	\$ 1,708	\$ 860
Sewer fund - Bonds	56,090	1,710	54,380	1,800
Unamortized bond premium	2,357	118	2,239	118
<b>Total</b>	<b>\$ 60,987</b>	<b>\$ 2,660</b>	<b>\$ 58,327</b>	<b>\$ 2,778</b>

**Component Unit - Port of Oakland**

	Balance at July 1, 2009	Additional obligations, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2010	Amounts due within one year
Senior & Intermediate bonds	\$ 1,434,257	\$ -	\$ 83,867	\$ 1,350,390	\$ 36,310
Notes and loans	87,573	22,959	15,140	95,392	196
<b>Total</b>	<b>1,521,830</b>	<b>22,959</b>	<b>99,007</b>	<b>1,445,782</b>	<b>36,506</b>
Self - insurance workers'					
compensation	6,137	1,699	936	6,900	6,900
General liability	2,571	3,282	2,774	3,079	-
Accrued vacation, sick leave and compensatory time	6,725	466	1,581	5,610	4,215
Environmental remediation and others	22,227	7,646	7,732	22,141	5,862
Other post employment benefits	5,443	10,019	5,073	10,389	10,389
Unamortized bond discount/ premium, net	19,212	86	2,957	16,341	3,646
Deferred loss on refunding	(19,192)	-	61	(19,253)	(2,313)
<b>TOTAL DEBT</b>	<b>\$ 1,564,953</b>	<b>\$ 46,157</b>	<b>\$ 120,121</b>	<b>\$ 1,490,989</b>	<b>\$ 65,205</b>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

## Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2010, are as follows (in thousands):

	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
<b>Governmental-type Activities:</b>											
<b>General obligation bonds:</b>											
Principal	\$ 16,817	\$ 17,677	\$ 18,571	\$ 19,533	\$ 20,574	\$ 106,002	\$ 69,873	\$ 42,485	\$ 37,560	\$ 17,155	\$ 366,247
Interest	18,243	17,459	16,633	15,758	14,814	59,247	34,400	22,089	10,495	2,615	211,753
<b>Certificate of participation:</b>											
Principal	3,315	3,895	-	-	-	-	-	-	-	-	7,210
Interest	361	195	-	-	-	-	-	-	-	-	556
<b>Lease revenue bonds:</b>											
Principal	27,870	32,270	33,680	35,295	31,600	56,445	36,265	17,245	-	-	370,670
Interest	12,354	11,095	9,728	8,155	6,465	19,026	9,025	873	-	-	76,721
<b>Pension obligation bonds:</b>											
Principal	14,959	20,860	19,923	18,881	18,079	78,358	39,536	-	-	-	210,596
Interest and accretion	25,346	17,515	19,632	21,884	23,931	151,437	115,354	-	-	-	375,099
<b>Special assessments bonds:</b>											
Principal	330	298	315	330	355	1,995	2,480	530	710	955	8,298
Interest	444	431	416	400	383	1,619	1,016	595	412	156	5,872
<b>Tax allocation, Housing and Other bonds:</b>											
Principal	19,365	20,365	21,645	23,580	18,165	145,040	94,120	49,855	65,325	31,440	488,900
Interest	27,099	26,039	24,929	23,712	22,382	89,111	50,085	33,615	17,702	1,670	316,344
<b>Notes payable:</b>											
Principal	2,000	3,155	2,325	2,485	2,180	3,150	-	-	-	-	14,295
Interest	779	722	659	410	337	218	-	-	-	-	3,125
<b>Capital leases</b>											
Principal	3,915	3,267	1,956	2,049	1,773	4,618	905	-	-	-	15,483
Interest	845	667	531	437	338	740	49	-	-	-	3,607
<b>Total principal</b>	<b>\$ 88,571</b>	<b>\$ 100,787</b>	<b>\$ 98,415</b>	<b>\$ 102,153</b>	<b>\$ 92,726</b>	<b>\$ 395,608</b>	<b>\$ 243,179</b>	<b>\$ 110,115</b>	<b>\$ 103,595</b>	<b>\$ 49,550</b>	<b>\$ 1,384,699</b>
<b>Total interest &amp; accretion</b>	<b>\$ 85,470</b>	<b>\$ 74,123</b>	<b>\$ 72,528</b>	<b>\$ 70,756</b>	<b>\$ 68,650</b>	<b>\$ 321,398</b>	<b>\$ 209,929</b>	<b>\$ 57,172</b>	<b>\$ 28,609</b>	<b>\$ 4,441</b>	<b>\$ 993,076</b>

For governmental activities the specific year for payment of the pledge obligation, environmental costs, estimated accrued vacation, sick leave, estimated liability for self-insurance, estimated claims, and the net OPEB obligation are not practicable to determine.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	Total
<b>Business-type Activities:</b>									
<b>Sewer revenue bonds:</b>									
Principal	\$ 1,800	\$ 1,885	\$ 1,985	\$ 2,090	\$ 2,175	\$ 12,575	\$ 15,970	\$ 15,900	\$ 54,380
Interest	2,685	2,595	2,499	2,395	2,306	9,836	6,449	2,036	30,801
<b>Sewer notes payable:</b>									
Principal	860	274	282	291	-	-	-	-	1,707
Interest	54	25	17	9	-	-	-	-	105
Total principal	<u>\$ 2,660</u>	<u>\$ 2,159</u>	<u>\$ 2,267</u>	<u>\$ 2,381</u>	<u>\$ 2,175</u>	<u>\$ 12,575</u>	<u>\$ 15,970</u>	<u>\$ 15,900</u>	<u>\$ 56,087</u>
Total interest	<u>\$ 2,739</u>	<u>\$ 2,620</u>	<u>\$ 2,516</u>	<u>\$ 2,404</u>	<u>\$ 2,306</u>	<u>\$ 9,836</u>	<u>\$ 6,449</u>	<u>\$ 2,036</u>	<u>\$ 30,906</u>

**Component Unit - Port of Oakland**

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, for fiscal year ending June 30, 2010, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2011	\$ 36,500	\$ 69,145	\$ 105,645
2012	46,243	67,266	113,509
2013	49,567	64,897	114,464
2014	52,117	62,348	114,465
2015	52,921	59,735	112,656
2016 - 2020	293,373	256,444	549,817
2021 - 2025	315,097	178,785	493,882
2026 - 2030	373,984	85,169	459,153
2031 - 2035	136,540	9,117	145,657
<b>SUB TOTAL</b>	<u>1,356,342</u>	<u>852,906</u>	<u>2,209,248</u>
Unamortized bond (discount) premium, net	16,341	-	16,341
Self-insurance workers' compensation	6,900	-	6,900
General liability	3,079	-	3,079
Accrued vacation, sick leave and compensatory time	5,610	-	5,610
Other post employment benefits	10,389	-	10,389
Environmental remediation and others	22,141	-	22,141
Deferred loss on refunding	(19,253)	-	(19,253)
<b>TOTAL</b>	<u>\$ 1,401,549</u>	<u>\$ 852,906</u>	<u>\$ 2,254,455</u>



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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In January 2010, the Port defeased \$44,505,000 of Series L Bonds with maturity dates from 2020 to 2032 and \$3,950,000 of Series N Bonds with maturity dates of 2010 and 2022 with proceeds from monies received from the Concession and Lease Agreement with Ports America Outer Harbor Terminal LLC. Funds were deposited in an escrow with the trustee, US Bank, and invested in United States Treasury Securities - State and Local Government Series (SLGS) in amounts sufficient to pay the principal and interest until November 1, 2012 on which date the outstanding defeased Series L Bonds and Series N Bonds are to be called for redemption. As of June 30, 2010, the trustee held \$48,455,000 in the escrow (along with interest earned in the escrow) to pay the remaining principal and interest on the defeased Series L Bonds and Series N Bonds until the call date of November 1, 2012. The Port incurred a defeasance loss of \$4,158,000, \$3,965,000 for Series L and \$193,000 for Series N.

Net interest costs of \$40,000 were capitalized in fiscal 2010. These amounts represented capitalized interest expense of \$40,000, net of interest revenue of zero for fiscal 2010.

### **Current Year Long-Term Debt Financings**

#### **Utility Underground Assessment District No. 2007-232 Piedmont Pines Phase I, 2010 Limited Obligation Improvement Bonds**

On February 23, 2010, the City of Oakland (the "City") issued \$3,148,483 of Utility Underground Assessment District No. 2007-232, Piedmont Pines Phase I, 2010 Limited Obligation Improvement Bonds (the "Bonds"). The Bonds were issued to finance the costs of the under grounding of street lighting, electric power, telephone and other communication lines of special benefit to the property with the City's Utility Underground Assessment District No. 2007-232, Piedmont Pines Phase I (the "District"). The Bonds are tax-exempt bonds with a final maturity of September 2, 2035; the interest rates of these bonds range from 2.00% to 6.25%. The Bonds are payable from ad valorem taxes, which is from the unpaid assessments levied upon real property within the District.

#### **General Obligation Bonds, Series 2009B, Measure DD**

On July 22, 2009, the City of Oakland issued \$64,545,000 of General Obligation Bonds, Series 2009B, Measure DD (the "2009B Bonds"). The 2009B Bonds have interest rates ranging from 3.00% to 6.25% with a final maturity in January 15, 2039. The proceeds of the 2009B Bonds will fund existing projects as well as execute new projects

The City of Oakland Trst for Clean Water and Safe Parks (Measure DD) program was implemented by the City in November 2002 upon receiving voter approval authorizing the City to issue \$198,250,000 in general obligation bonds to preserve and acquire open space, renovate parks, provide educational and recreation facilities for children, clean up Lake Merritt and restore Oakland's creeks, waterfront and estuary. In August 2003, the City

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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issued the first series of Measure DD general obligation bonds in the amount of \$71,450,000.

**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; therefore, removed as a liability from the City's government-wide financial statements. As of June 30, 2010, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to \$49.0 million.

**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, 2010 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2010
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	\$ 19,800	07/01/33	\$ 16,565
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc)	5,800	07/01/33	5,300
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
<b>TOTAL</b>			<b>\$ 181,865</b>

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(13) GENERAL FUND UNRESERVED FUND BALANCE**

The following designations reflect the City of Oakland's imposition of limitations on the use of the otherwise available expendable financial resources in the General Fund (in thousands).

Designations:

Pension obligations - PFRS	\$ 79,804
Carryforward for continuing projects	8,513
Total designations	88,317
Unreserved/undesignated fund balance	41,361
Total General Fund unreserved fund balance	\$ 129,678

**(14) SELF-INSURANCE**

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2010 and 2009 are as follows (in thousands):

**Workers' Compensation**

	2010	2009
Unpaid claims, beginning of fiscal year	\$ 77,973	\$ 80,382
Current year claims and changes in estimates	33,445	22,044
Claims payments	(35,723)	(24,453)
Unpaid claims, end of fiscal year (Note 12)	\$ 75,695	\$ 77,973

**General Liability**

	2010	2009
Unpaid claims, beginning of fiscal year	\$ 49,237	\$ 50,242
Current year claims and changes in estimates	8,323	12,551
Claims payments	(17,493)	(13,556)
Unpaid claims, end of fiscal year (Note 12)	\$ 40,067	\$ 49,237

The above 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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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.

### **Primary Government**

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's self-insured retention level have been increased by \$2 million except for workers' compensation effective July 1, 2009.

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

### **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.

### **General Liability**

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2010, the amount of liability determined to be probable of occurrence is approximately \$40,067,000. Of this amount, claims and litigation approximating \$12,004,000 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 Agency are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the Agency's in-house counsel, the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial condition or changes in financial position of the City and the Agency.

The City has not accumulated or segregated assets or reserved fund balances for the payment of estimated claims and judgments.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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 \$75,695,000 in claims liabilities as of June 30, 2010, approximately \$18,909,000 is estimated to be due within one year.

**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, 2009, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Self-Insurance Retention	Insurance Authority/Purchase Insurance
General Liability	up to \$4,000,000	\$4,000,000 to \$29,000,000 per occurrence
Automobile Liability	up to \$4,000,000	\$4,000,000 to \$29,000,000 per occurrence
Public Officials Errors and Omissions	up to \$4,000,000	\$4,000,000 to \$29,000,000 per occurrence/annual aggregate
Products and Completed Operations	up to \$4,000,000	\$4,000,000 to \$29,000,000 per occurrence/annual aggregate
Employment Practices Liability	up to \$4,000,000	\$4,000,000 to \$29,000,000 per occurrence/annual aggregate
Worker's Compensation	up to \$750,000	\$750,000 to \$100,000,000 per occurrence/annual aggregate

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Discretely Presented Component Unit**

**Workers' Compensation**

The Port is exposed to risk of loss related to injuries of employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of \$750,000 per accident. The Port carries commercial insurance for claims in excess of \$750,000 per accident. There were no workers' compensation claims paid in fiscal years 2010, 2009, and 2008 above the \$750,000 per accident limit.

Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses are based on an actuarial valuation performed as of June 30, 2010 and include an estimate of claims that have been incurred but not reported. Estimated Reserves can be defined as "actuarial central estimates" which represent the expected range of reasonably possible outcomes. The probability level refers to the probability that actual future payments will not exceed the indicated reserve amount.

The June 30, 2010 Worker's Compensation Loss Reserve amount of \$6,900,000 has been based upon an actuarial study. Total reserve is equal to case reserves plus incurred but not reported (IBNR) reserves. Case reserves are established by individual claims adjusters. The IBNR reserves are estimated by the Actuary and include reserves for late reported claims as well as developments on known claims. The reserve amount is net of excess insurance on an expected value, undiscounted basis. The loss reserve amount represents an estimated reserve amount required to satisfy the Port's retained liability without a contingency provision for unanticipated development. Changes in the reported liability resulted from the following (in thousands):

	<u>2010</u>	<u>2009</u>
Workers' compensation liability at beginning of fiscal year	\$ 6,137	\$ 6,000
Current year claims and changes in estimates	1,699	962
Claims payments	(936)	(825)
Workers' compensation liability at end of fiscal year	<u>\$ 6,900</u>	<u>\$ 6,137</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**General Liability**

The Port maintains general liability insurance in excess of specified deductibles. For the Airport, coverage is provided in excess of \$200,000 in the aggregate up to a maximum of \$200,000,000. For the harbor area and the Port's real estate holdings, coverage is provided in excess of \$1,000,000 per occurrence up to an aggregate amount of \$150,000,000 per occurrence. Additionally, the Port maintains a Public Officials Errors & Omissions and Employment Practices policy. The policy limits are \$25,000,000 with a \$500,000 per claim deductible. Defense costs are in addition to the policy limits, but are included in the deductible. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable.

As of June 30, 2010, the Port was a defendant in various lawsuits arising in the normal course of constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known. The Port's insurance may cover a portion of any losses. For additional information, contact the Port of Oakland, 530 Water Street, Oakland, California 94607. Changes in the reported liabilities, which is included as part of long-term obligations is as follows:

	<u>2010</u>	<u>2009</u>
General liability at beginning of fiscal year	\$ 2,571	\$ 3,925
Current year claims and changes in estimates	3,282	1,131
Vendor payments	(2,774)	(2,485)
General liability at end of fiscal year	<u>\$ 3,079</u>	<u>\$ 2,571</u>

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(15) 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 refire \$181,900,000 of the 1995 Variable Rate Lease Revenue Stadium Bonds (\$188,500,000 less \$6,600,000 principal payment). In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bond was fully repaid from the escrow established in 1995 at the time the Coliseum Authority issued the Stadium 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 Coliseum Authority's revenues relating to football games consists primarily of a portion of club dues, concession 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 million 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 million 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



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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(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 Coliseum 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 Coliseum 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 Coliseum 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 expires in June, 2012.

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

For the Period Ending June 30,	Stadium Debt		Arena Debt	
	Principal	Interest	Principal	Interest
2011	\$ 7,100	\$ 5,212	\$ 3,950	\$ 6,720
2012	7,500	4,951	4,050	6,474
2013	7,900	4,669	4,400	6,221
2014	8,300	4,399	4,750	5,948
2015	8,700	4,106	5,150	5,652
2016-2020	49,600	15,674	31,000	23,050
2021-2025	62,900	6,031	43,850	11,916
2026	-	-	8,605	520
Total	<u>\$ 152,000</u>	<u>\$ 45,042</u>	<u>\$ 105,755</u>	<u>\$ 66,501</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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Complete financial statements for the Authority can be obtained from the County Auditor-Controller's office at 1221 Oak Street, 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, 2010, the City made contributions of \$10,063,000 to fund its share of operating deficits and debt service payments of the Authority.

The Coliseum 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 \$10,034,000 for the 2010-11 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 deficit in the statement of net assets in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of \$76,000,000. 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.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(16) PENSION PLANS**

The City has three defined benefit retirement plans: Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS) and California Public Employees' Retirement System (PERS). 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 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 plans.

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2010	July 01, 2010	June 30, 2009

**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, 2010 stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 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, 2010, these contributions ranged from 5.47% to 6.05%. 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,

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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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 February 1997 to fund PFRS through 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.

The City's actuaries do not make an allocation of the contribution amount between normal cost and the unfunded actuarial liability because the plan is closed. The actuarial calculations are based on the aggregate cost method and the asset valuation method is on the market value basis. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

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 fiscal year ended June 30, 2010, were as follows:

Annual Required Contribution (ARC)	\$ (41,000,000)
Interest on pension asset	19,503,496
Adjustment to the annual required contribution	<u>(22,294,469)</u>
Annual Pension Cost	(43,790,973)
Pension contribution	-
Pension assets, beginning of year	<u>243,793,694</u>
Pension assets, end of year	<u><u>\$ 200,002,721</u></u>

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2010 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Percentage (%) Contributed	Net Pension Asset
2008	\$ 31,551,278	-	\$ 275,281,092
2009	31,487,398	-	243,793,694
2010	43,790,973	-	200,002,721

Subsequent to receipt of pension obligation bond proceeds, the City was not contractually required to pay the actuarial annual required contribution through the year 2011.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

**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)
7/1/2010	\$ 792.2	\$ 297.8	\$ 494.4	37.6%	\$ 0.1	494400%

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 plan and the annual required contribution for fiscal year ended June 30, 2010 are as follows:

Valuation date	7/1/2010 *	7/1/2007 **
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	7.00%	8.00%
Inflation Rate, U.S.	3.25%	3.25%
Inflation Rate, Bay Area	3.50%	3.50%
Long-term General Pay Increases	4.50%	4.75%
Long-term Post-retirement benefit increases	4.50%	4.75%
Amortization Method	Level Dollar	Level Dollar
Amortization Period	Closed level dollar over a 40 year period from the GASB 25 transition date (26 years remaining as of 7/01/2010)	29 years Closed as of July 1, 2007
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.

\* The July 1, 2010 valuation was used to determine the funded status

\*\* The July 1, 2007 valuation was used to determine the annual required contribution for 2010

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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, 2010 stand alone financial statements are available by contacting by the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to CalPERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2010, and will not receive any employee contributions in the future. Because of the Retirement System current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the "aggregate cost method" and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. 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)
7/1/2010	\$ 5,471	\$ 4,728	\$ 743	86.4%	\$ -	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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for fiscal year ended June 30, 2010 are as follows:

Valuation date	7/1/2010 *	7/1/2007 **
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	6.50%	8.00%
Inflation Rate	3.25%	3.25%
Cost-of-living Adjustments	3.00%	3.00%
Amortization Method	Closed Level Dollar	N/A***
Amortization Period	6 Years	N/A***

\* The July 1, 2010 valuation was used to determine the funded status

\*\* The July 1, 2007 valuation was used to determine the annual required contribution for 2010

\*\*\* Note applicable because OMERS is in a surplus position

### **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.

#### **Funding Policy**

Participants are required to contribute 8% (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 19.588% for non-safety employees and 27.877% 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Annual Pension Cost**

For 2009-10, the City's annual pension cost of \$94,316,018 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.25% to 14.45%), and (c) payroll growth of 3.25%. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was 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). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 20 year period.

**Three-Year Trend Information for PERS**  
**(in millions)**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 97.9	100%	\$ -
2009	98.2	100	-
2010	94.3	100	-

**Funded Status and Funding Progress for Pension Plans**

**Safety Plan**

As of June 30, 2009, the most recent actuarial valuation date, the Public Safety plan was 74.4% funded. The actuarial accrued liability for benefits was \$1,194,359,091, and the actuarial value assets was \$888,250,432, resulting in an unfunded actuarial accrued liability (UAAL) of \$306,108,659. The annual covered payroll was \$150,306,150, and the ratio of the UAAL to the annual covered payroll was 203.7%.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for fiscal year ended June 30, 2010 are as follows:

Valuation date	6/30/2009 *	6/30/2007 **
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	31 Years as of the Valuation Date	32 Years as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	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%	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%

\* The June 30, 2009 valuation was used to determine the funded status

\*\* The June 30, 2007 valuation was used to determine contribution requirements for 2010

### Miscellaneous Plan

As of June 30, 2009, the most recent actuarial valuation date, the Miscellaneous Plan was 80.2% funded. The actuarial accrued liability for benefits was \$1,876,286,272, and the actuarial value assets was \$1,505,314,108, resulting in an unfunded actuarial accrued liability (UAAL) of \$370,972,164. The annual covered payroll was \$224,759,546, and the ratio of the UAAL to the annual covered payroll was 165.1%.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for fiscal year ended June 30, 2010 are as follows:

Valuation date	6/30/2009 *	6/30/2007 **
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date	20 Years as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
<b>Actuarial Assumptions</b>		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	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%	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%

\* The June 30, 2009 valuation was used to determine the funded status

\*\* The June 30, 2007 valuation was used to determine contribution requirements for 2010

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

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(17) POST EMPLOYMENT 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. The 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 agent multi-employer defined benefit retiree health plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CALPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Refiree 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 \$14,016,359 for retirees under this program for the year ended June 30, 2010.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Annual OPEB Cost and Net OPEB Obligation**

The City's annual post employment benefit cost and net OPEB obligation for the plan as of and for the fiscal year ended June 30, 2010 using a 4.00% interest rate scenario, were as follows (in thousands):

Annual Required Contribution (ARC)	\$ 54,635
Interest on net OPEB obligation	3,430
Adjustment to ARC	<u>(3,570)</u>
Annual OPEB cost	54,495
Employer Contribution	<u>(14,016)</u>
Increase in net OPEB obligation	40,479
Net OPEB obligation - beginning of year	<u>85,758</u>
Net OPEB obligation - end of year	<u><u>\$ 126,237</u></u>

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 healthcare plan were as follows (in thousands).

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	\$ 54,635	20.07%	\$ 43,668
06/30/09	54,564	22.86%	85,758
06/30/10	54,495	25.72%	126,237

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Funded Status and Funding Progress**

As summarized in the table below, as of July 1, 2008, the most recent actuarial valuation date, 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 actuarial value of assets is zero and unfavorable investment returns during the last two years. The City is on a pay-as-you-go funding with no money set aside for future liabilities which are already incurred. The specific funding status for the OPEB plan is summarized in the table below, as of the June 30, 2010 (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)
7/1/2008	\$ 591,575	\$ -	\$ 591,575	0.0%	\$ 304,876	194.0%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in fiscal year 2010 over the transition year 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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, the annual required contribution, and the funded status and funding progress for the fiscal year ended June 30, 2010 are as follows:

Valuation Date	July 1, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market
Discount rate	4.00%
Salary Increases	2.50% per year growth
Inflation	3.00%
Demographic rate	Retirement benefit @ 3% 50 formula for Safety employees and @ 2.7% 55 formula for Miscellaneous employees
Health Care cost trends rate	8% for fiscal year 2009, graded down to 5.00% for fiscal year 2015 and beyond. The trend rate is determined by the plan sponsor based on historical data and anticipated experience under the plan.

**Discretely Presented Component Unit – Port of Oakland OPEB**

**Plan Description**

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

The Port's Retiree Health plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CALPERS. 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Funding Policy**

Benefit provisions are established and may be amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port contributes on a pay-as-you-go basis.

As of June 30, 2010, there were approximately 500 employees who had retired from the Port and were in the Port's retiree benefit plan. During the fiscal year ended June 30, 2010, the Port made payments of \$5,073,000 on behalf of OPEB eligible retirees to third parties outside of CERBT. For fiscal year 2010, the CERBT had net investment earning of \$1,500,000.

**Eligible Retirees Defined**

Employees must have attained the age of fifty or over at the time of retirement, have five or more years of CALPERS service, and must be eligible to receive PERS retirement benefits in order to be classified as an Eligible Retiree.

**Annual OPEB Cost and Net OPEB Obligation**

The Port's annual other post employment 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 a 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 Plan, and changes in the Port's net OPEB obligation (in thousands):

Annual required contribution	\$ 10,019
Interest on prior year net OPEB obligation	422
Adjustment to annual required contribution	<u>(422)</u>
Annual OPEB cost	10,019
Contribution made	<u>(5,073)</u>
Decrease in net OPEB obligation	4,946
Net OPEB obligation - beginning of year	<u>5,443</u>
Net OPEB obligation - end of year	<u>\$ 10,389</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	\$ 11,683	34%	\$ 7,754
06/30/09	10,019	123%	5,443
06/30/10	10,019	51%	10,389

**Funding Status and Funding Progress**

The unfunded actuarial accrued liability is being amortized as level percentage of expected payroll over 30 years. The table below indicated the funded status of the Plan as of January 1, 2009, the most recent actuarial valuation date (in thousands):

Actuarial accrued liability (AAL)	\$ 100,412
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 100,412</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	\$ 48,400
UAAL as a percentage of annual covered payroll	207%

GASB Statement No. 45 requires that the interest rate used to discount future benefits payments back to the present be based on the expected rate of return on any investments set aside to pay for these benefits. As of January 1, 2009 actuarial valuation, the Port intended to fully fund its OPEB liabilities by contributing the annual OPEB cost to the CERBT trust and used a discount rate of 7.75 percent for this valuation based on CalPERS' expected return on assets held in the Port's OPEB Trust.

For the year ended June 30, 2010, the Port funded its annual OPEB cost at 51 percent. However, if the Port used a lower discount rate of 4 percent to reflect a pay-as-you-go funding policy, the Port's UAAL, as of January 1, 2009 actuarial valuation, would increase by approximately \$68.4 million to \$168.8 million and its annual OPEB cost would increase by \$4.0 million to \$14.0 million. The Port is currently evaluating its funding policy and its other economic actuarial assumptions in preparation for its January 1, 2011 actuarial valuation.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Actuarial Methods and Assumptions**

The actuarial cost method used for determining the benefit obligations of the Port is the Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit.

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.

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.

The actuarial assumptions used included a discount rate of 7.75%, and an annual health cost trend rate of 5% to 6.5% in health premiums. Annual salary increases were assumed at 3.25%. The demographic assumptions regarding turnover and retirement are based on statistics from reports for California PERS under a "2.7% @ 55" benefit schedule.

The schedules presented as required supplementary information following the notes to the financial statements, present multiyear trend information. The Schedule of Funding Progress - Other 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.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(18) COMMITMENTS AND CONTINGENT LIABILITIES**

**Construction Commitments**

**Primary Government**

City has committed to funding in the amount of \$192.4 million to a number of capital improvement projects for fiscal year 2011 through fiscal year 2012. As of June 30, 2010, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	\$ 31,514
Parks and open space	20,153
Sewers and storm drains	25,679
Streets and sidewalks	83,417
Technology Enhancements	763
Traffic Improvements	30,848
Total	<u>\$ 192,374</u>

**Discretely Presented Component Unit - Port of Oakland**

The \$532 million 5-Year Capital Needs Assessment includes projects in the Aviation, Maritime, Commercial Real Estate and Support Divisions. The most significant Aviation projects are the Terminal 1 renovation and retrofit; reconstruction of aprons and taxiways; runway safety areas; perimeter dike improvements; passenger boarding bridge replacement program; and storm water and utility infrastructure rehabilitation. The most significant Maritime projects are the shore power program; security initiatives; site preparation and redevelopment of the former Oakland Army Base; and Berth 30-32 terminal development.

As of June 30, 2010, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	\$ 46,524
Aviation	37,646
Commercial real estate	609
Total	<u>\$ 84,779</u>

The most significant projects for which the Port has contractual commitments are airport terminal renovation projects of \$7.6 million, runways and east apron reconstruction of \$14.9 million, modernization of maritime wharves and terminals projects of \$9.9 million, yard and gate improvement projects of \$2.4 million and safety projects of \$6.0 million.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**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 determined, the Port commits and enters into purchase contracts, in advance, with power providers. The price is fixed at the time the Port enters into the contract. At June 30, 2010, the total purchase commitment was approximately \$7.7 million for 125,045 megawatt-hours.

**Other Commitments and Contingencies**

**Primary Government**

As of June 30, 2010, the Agency has entered into contractual commitments of approximately \$55.3 million for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2010, the Agency was committed to fund \$90.7 million in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City.

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**Supplemental Educational Revenue Augmentation Funds (SERAF)**

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this SERAF revenue shift was \$41.1 million in fiscal year 2009-2010 and is \$8.5 million in fiscal year 2010-2011, which is due May 10, 2011.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**Wood Street Affordable Housing 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, 2010, 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 by the Oakland Army Base project area 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 Agency and the Port are responsible for the first \$13.0 million of environmental remediation costs; including environmental remediation insurance. The 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, 2010 the Agency has spent approximately \$13.0 million on this project. \$10.9 million has been reimbursed by the and the Agency is working with the U.S. Department of 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 Agency and the Port. As a result, the Agency reports its share of \$5.5 million remediation obligation on the Oakland Army Base project. 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 Agency and the Port have agreed to share equally in any environmental remediation-related costs above \$21 million that are not covered by insurance.

The Agency 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**

The Port is required to comply with a number of federal, state and local laws and regulations designed to protect human health, safety and the environment. In conforming to these laws and the implementing regulations, the Port has instituted a number of compliance programs and procedures.

It is the Port's intent that its environmental compliance programs be compliant with regulatory and legal requirements while effectively managing financial resources.

The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination.

The Port anticipates spending approximately \$2.4 million annually for environmental compliance and remediation obligations. Environmental monitoring costs relating to legal mandates such as regulatory agency orders, court orders or other affirmative legal obligations are included in the anticipated spending.

A summary of the environmental liability accounts, included within the financial statements at June 30, 2010, is as follows (in thousands):

<u>Obligating Event</u>	<u>Liability</u>	<u>Estimated Recovery</u>
Pollution poses an imminent danger to the public or environment	\$ -	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean up pollution	17,542	619
Named in a lawsuit to compel to clean up	51	-
Begins or legally obligates to clean up or post-clean up activities	2,846	31
Total by Obligating Event	<u>\$ 20,439</u>	<u>\$ 650</u>

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. Examples of obligating events includes 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).

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(19) TRANSACTIONS WITH THE FOX OAKLAND THEATER, INC. ("FOT") DEVELOPMENT**

FOT is a Internal Revenue Code section 501(C)(3) organization set up by and for the benefit of the Agency and the City set up to renovate the Fox Theater. The Agency transferred the Fox Theater property to FOT in August 2006 through a long-term lease and a Disposition and Development Agreement ("DDA") which included a \$25.5 million loan. The Fox Theater property was held by the Agency as property held for resale. During 2008, the property was transferred to FOT as a long-term capital lease which was valued at \$6.5 million in the lease and DDA. All FOT board members are City employees and FOT has no staff. FOT set up a for profit entity, Fox Theater Manager, Inc ("FT Manager"), and then two LLCs managed by FT Manager, Fox Theater Landlord LLC and Fox Theater Master Tenant LLC. These new entities were used to syndicate Historic and New Markets Tax Credits. The Fox Theater property was transferred to the LLCs in December 2006, but the loan remains with FOT and is secured by a pledge and assignment of borrowers ninety nine and nine-tenths percent (99.9%) interests in the Community Development Entities (CDEs) loans entered into between FOT and Fox Oakland Investment Fund (FOIF).

The outstanding principal balance of the FOT loan shall accrue interest at the rate of 2.5 percent, commencing on the date of disbursement and compounded annually, which will only be payable to the extent of borrower's net cash flow from operations. The loan terminates at the end of ten years unless the borrower defaults on the agreement in which case the lender declares an acceleration of the maturity.

In FY 2009-10 the Agency loaned an additional \$1.4 million to Fox Theater Master Tenant LLC to complete the project. The \$1.4 million Fox Theater Master Tenant LLC loan has a 15 year term. The Agency also provided an additional loan of \$2.0 million to Fox Oakland Theater Inc.

**CITY OF OAKLAND**  
Notes to Basic Financial Statements, (continued)  
Year Ended June 30, 2010

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**(20) DEFICIT FUND BALANCES/NET ASSETS AND EXPENDITURES OVER BUDGET**

As of June 30, 2010, the following funds reported deficits in fund balance/net assets (in thousands):

Special Revenue:	
ORA Projects	\$ (1,114)
Landscape & Lighting Assessment District	(4,620)
Capital Project Fund :	
Emergency Services	(52)

The ORA projects fund deficit is expected to be cured by reimbursements from the Agency. The State Gas Tax, the Landscape & Lighting Assessment District and Emergency Services will be cleared by future revenues.

Internal Service:	
Facilities	\$ (28,648)
Equipment	(1,768)
Central Stores	(4,524)
Purchasing	(948)
Reproduction	(98)

The City's facilities, equipment, central stores and radio funds deficits are expected to be funded through increased user charges for future years. During the 2009-11 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds net assets 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, 2010, the following fund reported expenditures in excess of budgets (in thousands):

Debt Service Fund:	
Other Assessment Bonds	\$ (26)

The excess of expenditures over budget in Other Assessment Bonds is primarily attributed to administrative and commission costs associated with property tax collection and levy.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2010**

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**(21) SUBSEQUENT EVENTS**

**Tax and Revenue Anticipation Notes**

On July 8, 2010, the City closed the 2010-2011 Tax and Revenue Anticipation Notes (the "Notes") in the principal amount of \$100,000,000 with maturity date of March 30, 2011 and June 15, 2011. The Notes are tax-exempt with interest rate of 2.0% on both maturities. 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. The notes will mature on July 8, 2011.

**Broadway/MacArthur/San Pablo Redevelopment Project  
Second Lien Tax Allocation Bonds, Series 2010-T  
(Federally Taxable Recovery Zone Economic Development Bonds)**

On November 12, 2010, the Redevelopment Agency of the City of Oakland (the "Agency") closed the Broadway/MacArthur/San Pablo Development Project Second Lien Tax Allocation Bonds, Series 2010-T (Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment) (the "Bonds") in the principal amount of \$7,390,000 with a maturity dates of September 1, 2030 and September 1, 2040. The Bonds are taxable with an interest rates of 7.20% and 7.40% respectively. The Bonds were issued through the American Recovery and Reinvestment Act of 2009, to finance certain redevelopment activities within or to the benefit of the Agency's Broadway/MacArthur/San Pablo Redevelopment Project Area. The Agency expects to receive \$6.2 million or 45% interest subsidy from the federal government as part of the bond issue.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF OAKLAND**  
**Required Supplementary Information**  
**June 30, 2010**

**PERS ACTUARIAL VALUATION**  
**SCHEDULE OF FUNDING PROGRESS**

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The required contribution was 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)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll
			AAL (UAAL) (a-b)			((a-b) / c)
7/1/2007	\$ 989,095,209	\$ 757,340,889	\$ 231,754,320	76.6%	\$ 127,434,797	181.9%
7/1/2008	1,084,370,034	829,712,579	254,657,455	76.5%	138,606,908	183.7%
7/1/2009	1,194,359,091	888,250,432	306,108,659	74.4%	150,306,150	203.7%

**Miscellaneous Retirement Plan**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll
			AAL (UAAL) (a-b)			((a-b) / c)
7/1/2007	\$ 1,617,214,275	\$ 1,353,435,664	\$ 263,778,611	83.7%	\$ 225,726,055	116.9%
7/1/2008	1,727,976,732	1,445,373,281	282,603,451	83.6%	237,455,347	119.0%
7/1/2009	1,876,286,272	1,505,314,108	370,972,164	80.2%	224,759,546	165.1%

**City Other Post Employment Benefits (OPEB)**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll
			AAL (UAAL) (a-b)			((a-b) / c)
7/1/2008	\$ 591,575,250	\$ -	\$ 591,575,250	0.0%	\$ 304,875,561	194.0%

**Port of Oakland Post Employment Benefits (OPEB)**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll
			AAL (UAAL) (a-b)			((a-b) / c)
1/1/2007	\$ 143,594,000	\$ -	\$ 143,594,000	0.0%	\$ 49,400,000	291%
1/1/2009	100,412,000	-	100,412,000	0.0%	48,400,000	207%

**CITY OF OAKLAND**  
**Required Supplementary Information**  
**June 30, 2010**

**PERS ACTUARIAL VALUATION**  
**SCHEDULE OF FUNDING PROGRESS**

**Oakland Municipal Employees' Retirement System - Pension**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
7/1/2007 *	\$ 7,516,000	\$ 9,371,000	\$ (1,855,000)	124.7%	\$ -	N/A
7/1/2009 *	5,499,000	4,981,000	518,000	90.6%	-	N/A
7/1/2010 *	5,471,000	4,728,000	743,000	86.4%	-	N/A

\* The decline in the funded ratio was primarily due to explicit recognition of future administrative expenses in the Plan's actuarial accrued liability. The entry age normal cost method was used for disclosure and annual required contribution rates starting with July 1, 2009 valuation.

**Oakland Police and Fire Retirement System - Pension**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
7/1/2007 **	\$ 888,100,000	\$ 566,000,000	\$ 322,100,000	63.7%	\$ 400,000	80525%
7/1/2009 **	782,500,000	347,200,000	435,300,000	44.4%	100,000	435300%
7/1/2010 **	792,200,000	297,800,000	494,400,000	37.6%	- 100,000	494400%

\*\* The decline in the funded ratio was primarily due to implementation of a smoothed market value asset valuation method and strengthening of mortality and cost of living increase assumptions.

**CITY OF OAKLAND**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2010**  
*(In Thousands)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 188,780	\$ 187,824	\$ 194,591	\$ 6,767
State taxes:				
Sales and use tax	41,730	33,440	35,877	2,437
Motor vehicle in-lieu tax	1,090	1,090	1,251	161
Local taxes:				
Business license	52,000	52,100	54,138	2,038
Utility consumption	54,451	50,497	51,107	610
Real estate transfer	27,387	28,490	36,971	8,481
Transient occupancy	10,224	8,562	8,578	16
Parking	8,113	7,157	7,523	366
Franchise	14,653	14,653	14,419	(234)
Licenses and permits	1,364	635	724	89
Fines and penalties	29,522	28,179	27,218	(961)
Interest and investment income	2,000	1,640	1,743	103
Charges for services	63,564	61,504	60,578	(926)
Federal and state grants and subventions	1,500	2,367	1,927	(440)
Annuity income	12,000	12,000	13,232	1,232
Other	9,328	11,146	8,912	(2,234)
<b>TOTAL REVENUES</b>	<u>\$ 517,706</u>	<u>\$ 501,284</u>	<u>\$ 518,789</u>	<u>\$ 17,505</u>
<b>EXPENDITURES</b>				
Current:				
Elected and Appointed Officials-				
Mayor	1,805	1,760	1,755	5
Council	3,407	3,412	3,000	412
City Administrator	7,990	7,704	7,044	660
City Attorney	7,261	7,659	8,002	(343)
City Auditor	1,485	1,621	1,344	277
City Clerk	2,631	3,507	2,444	1,063
Agencies/Departments:				
Human Resource Management	3,922	3,798	4,229	(431)
Information Technology	8,070	8,028	8,134	(106)
Financial Services	23,494	25,399	25,283	116
Contracting and Purchasing	1,990	1,996	2,100	(104)
Police Services	170,989	185,807	191,058	(5,251)
Fire Services	98,455	98,431	99,329	(898)
Life Enrichment:				
Parks and Recreation	15,565	16,945	15,108	1,837
Library	11,234	9,181	9,005	176
Cultural Arts and Museum	5,925	5,826	5,829	(3)
Aging & Health and Human Services	5,841	6,472	5,269	1,203
Community and Economic Development	6,454	6,668	4,847	1,821
Public Works	32,139	33,566	32,144	1,422
Other	4,548	8,628	5,785	2,843
Capital outlay	634	1,885	890	995
Debt service:				
Principal repayment	1,583	1,654	1,499	155
Bond issuance costs	-	-	511	(511)
Interest charges	762	762	2,507	(1,745)
<b>TOTAL EXPENDITURES</b>	<u>416,184</u>	<u>440,709</u>	<u>437,116</u>	<u>3,593</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>101,522</u>	<u>60,575</u>	<u>81,673</u>	<u>21,098</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Property sale proceeds	125	6,909	5,013	(1,896)
Premiums/discounts on issuance of bonds	-	-	-	-
Insurance claims and settlements	-	45	1,641	1,596
Transfers in	33,113	47,398	6,602	(40,796)
Transfers out	(112,533)	(127,945)	(99,282)	28,663
<b>TOTAL OTHER FINANCING USES, NET</b>	<u>(79,295)</u>	<u>(73,593)</u>	<u>(86,026)</u>	<u>(12,433)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>22,227</u>	<u>(13,018)</u>	<u>(4,353)</u>	<u>8,665</u>
Fund balances - beginning	242,420	242,420	242,420	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 264,647</u>	<u>\$ 229,402</u>	<u>\$ 238,067</u>	<u>\$ 8,665</u>

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

**CITY OF OAKLAND**  
Notes to Required Supplementary Information  
June 30, 2010

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**(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 2009, the City Council approved the City's two-year budget for fiscal years 2010 and 2011. 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 2009-10 budget. Certain projects are appropriated on a multi-year 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 must be approved by the City Council. 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.

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2010**

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**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.<sup>1</sup>

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multi-year basis. The amounts of the projects and programs budgeted on a multi-year 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 and State Grants
- Oakland Redevelopment Agency
- Municipal Capital Improvement

**Nonmajor Funds**

- Special Revenue Funds
  - ORA Projects
  - Parks, Recreation and Cultural

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 multi-year basis.

**CITY OF OAKLAND**  
Notes to Required Supplementary Information  
June 30, 2010

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**(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, 2010, was \$454,769.

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

	<b>General Fund</b>
Net change in fund balance - GAAP basis	\$ (3,899)
Amortization of debt service deposit agreement	(454)
Net change in fund balance - Budgetary basis	<u>\$ (4,353)</u>

**CITY OF OAKLAND**  
Notes to Required Supplementary Information  
June 30, 2010

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The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2010, which is as follows (in thousands):

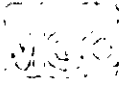
	<b>General Fund</b>
Fund balance as of June 30, 2010 - GAAP basis	\$ 233,050
Unamortized debt service deposit agreement	<u>5,017</u>
Fund balance as of June 30, 2010 - Budgetary basis	<u><u>\$ 238,067</u></u>



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# FEDERAL AWARDS PROGRAMS

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

**Independent Auditor’s Report On Internal Control Over Financial Reporting and  
On Compliance and Other Matters Based On An Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards***

We have audited 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, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 8, 2010. Our report includes a reference to other auditors. Our report also contained an explanatory paragraph describing the City’s adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Oakland Municipal Employees Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS) which collectively represent 57%, 69% and 16%, respectively, of the assets, net assets/fund balances, and revenues/additions of the aggregate remaining fund information as of and for the year ended June 30, 2010 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1, 2010-2 and 2010-3). 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.


#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

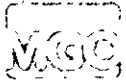
We noted certain matters that we reported to management of the City in a separate letter dated December 8, 2010.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Finance and Management Committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

Oakland, California  
December 8, 2010



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

**Independent Auditor’s Report On Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program and  
On Internal Control Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the City of Oakland’s (the 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, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

The City’s basic financial statements include the operations of the Port of Oakland (Port), which expended \$18,404,196 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2010. Our audit of compliance, 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.

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. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

*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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, City management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

Oakland, California  
March 15, 2011

**CITY OF OAKLAND  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
For the Year Ended June 30, 2010**

FEDERAL GRANTOR/PROGRAM TITLE	CFDA Number	Grant Number	Expenditures	Amount Passed-Through to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through the State of California				
Department of Education-				
Child & Adult Care Food Program	<u>10.558</u>	<u>01-1135-1J</u>	\$ 552,674	\$ -
Child Nutrition Cluster:				
Summer Food Service Program for Children	<u>10.559</u>	<u>E116-01</u>	321,566	60,000
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>874,240</u>	<u>60,000</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>				
Economic Adjustment Assistance-	<u>11.307</u>	<u>07-39-02873</u>	183,216	-
Industrial District Strategy		<u>07-79-04941</u>	9,324	-
		<u>07-79-06021</u>	1,376	-
<b>TOTAL U.S. DEPARTMENT OF COMMERCE</b>			<u>193,916</u>	<u>-</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Environmental Services Cooperative Agreement	<u>12.Unknown</u>	<u>DASW01-02-2-0004</u>	559,458	-
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>559,458</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>				
Community Development Block Grants/ Entitlement Grants Cluster:				
Community Development Block Grants/ Entitlement Grants	<u>14.218</u>	<u>B-09-MC-06-0013</u>	11,656,215	3,034,997
ARRA-Community Development Block Grants- Recovery (CDBG-R)	<u>14.253</u>	<u>B-09-MY-06-0013</u>	103,905	-
Total Community Development Block Grants/ Entitlement Grants Cluster			<u>11,760,120</u>	<u>3,034,997</u>
HUD Urban Development Action Grant (UDAG)	<u>14.221</u>	<u>B-81-AA-06-0038(4)</u>	10,581	-
Emergency Shelter Grants Program	<u>14.231</u>	<u>S05-MC-06-0013-06-07</u>	28,785	22,917
		<u>S96-MC-07-0013-08-09</u>	50,781	50,289
		<u>S06-MC-06-0013-07-08</u>	58,879	58,879
		<u>S08-MC-06-0013-09-10</u>	227,888	217,973
			<u>366,333</u>	<u>350,058</u>
Supportive Housing Program	<u>14.235</u>	<u>CA-01B502022-THP-CA5089</u>	57,333	54,076
		<u>CA-01B502018-SHP-CA5080</u>	63,999	57,516
		<u>CA-01B602015-THP-CA5063</u>	35,472	-
		<u>CA0106B9T020801-SHP-09-10</u>	609,363	589,501
		<u>CA0096B9T020801-SHP-09-10</u>	2,386,332	2,317,672
		<u>CA0103B9T020801-THP-09-10</u>	119,872	114,978
		<u>CA0093B9T020801-THP-09-10</u>	218,462	211,398
			<u>3,490,833</u>	<u>3,345,141</u>
HOME Investment Partnerships Program	<u>14.239</u>	<u>M01-MC060208</u>	1,616,863	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CITY OF OAKLAND  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
For the Year Ended June 30, 2010**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>	<u>Amount Passed-Through to Subrecipients</u>
Housing Opportunities for Persons with AIDS	<u>14.241</u>	<u>CAH04F001</u>	178,751	178,751
		<u>CAH05F001</u>	772,599	772,599
		<u>CA-H07F001</u>	632,527	632,455
		<u>CA-H06F001</u>	800,858	800,858
		<u>CA-H93F038</u>	214,140	168,301
			<u>2,598,875</u>	<u>2,552,964</u>
Community Development Block Grants/ Brownfields Economic Development Initiative	<u>14.246</u>	<u>B94-MC-06-0013-A</u>	419,714	69,998
Community Development Block Grants/ Section 108 Loan Guarantees	<u>14.248</u>	<u>B93-MC-06-0013</u>	2,784,571	-
ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)	<u>14.257</u>	<u>S09-MY-06-0013</u>	736,519	720,801
<b>TOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<u>23,784,409</u>	<u>10,073,959</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Services for Trafficking Victims	<u>16.320</u>	<u>2005-VT-BX0009</u>	192,914	-
Title V Delinquency Prevention Program	<u>16.548</u>	<u>97-MU-FX-K008</u>	222,233	-
National Institute of Justice Research, Evaluation and Development Project Grants	<u>16.560</u>	<u>2007-DN-BX-K019</u>	126,843	-
		<u>2008-DN-BX-K172</u>	126,284	-
		<u>2009-DN-BX-K019</u>	7,193	-
		<u>CQ08-06-7503</u>	31,320	-
			<u>291,640</u>	<u>-</u>
Federal Surplus Property Transfer Program	<u>16.578</u>	<u>CA0010900</u>	391,060	-
Community Capacity Development Office	<u>16.595</u>	<u>2007-WS-Q7-0057</u>	4,360	-
		<u>2008-WS-Q7-0057</u>	3,543	-
		<u>2009-WS-Q7-0057</u>	140,522	-
			<u>148,425</u>	<u>-</u>
Bullet Proof Vest Partnership Program	<u>16.607</u>	<u>Agreement</u>	29,450	-
Public Safety Partnership and Community Policing Grants: Cops Technology	<u>16.710</u>	<u>Agreement</u>	288,139	-
ARRA-COPS Hiring Recovery Program (CHRP) Total Public Safety Partnership and Community Policing Grants	<u>16.710</u>	<u>2009RJWX0009</u>	5,054,413	-
			<u>5,342,552</u>	<u>-</u>
Paul Coverdell Forensic Improvement Grant Program	<u>16.742</u>	<u>2009-CD-BX-0067</u>	18,103	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards



**CITY OF OAKLAND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**For the Year Ended June 30, 2010**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>	<u>Amount Passed-Through to Subrecipients</u>
DNA Backlog Reduction	<u>16.743</u>	<u>2008-DN-BX-K045</u>	41,792	-
		<u>2009-DB-BX-K112</u>	110,078	-
			<u>151,870</u>	<u>-</u>
Edward Byrne Memorial Competitive Grant Program	<u>16.751</u>	<u>2007-DJ-BX-1405</u>	57,852	-
		<u>2008-DJ-BX-1405</u>	194,990	-
		<u>2009-DJ-BX-0i28</u>	78,051	-
			<u>330,893</u>	<u>-</u>
Passed through the County of Alameda ARRA-BJA-Byrne-JAG	<u>16.804</u>	<u>2009-SB-B90733</u>	1,469,258	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>8,588,398</u>	<u>-</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
Passed Through the Senior Service America, Inc. Senior Community Service Employment Program ARRA Passed Through SSAI	<u>17.235</u>	<u>SSAI Agreement</u> <u>ARRA-SCEP</u>	1,363,633	-
			270,740	-
			<u>1,634,373</u>	<u>-</u>
Passed Through the State of California Employment Development Department- WIA Cluster:				
WIA Adult Program	<u>17.258</u>	<u>R970553</u> <u>K074157</u>	326,324	76,461
			1,956,791	1,777,079
			<u>2,283,115</u>	<u>1,853,540</u>
WIA Youth Activities	<u>17.259</u>	<u>R970553</u> <u>K074157</u>	207,523	207,523
			1,634,659	1,634,659
			<u>1,842,182</u>	<u>1,842,182</u>
WIA Dislocated Workers	<u>17.260</u>	<u>R970553</u> <u>K074157</u>	442,226	442,226
			1,279,390	1,279,390
			<u>1,721,616</u>	<u>1,721,616</u>
Total WIA Formula Funds			<u>5,846,913</u>	<u>5,417,338</u>
ARRA Adult Program	<u>17.258</u>	<u>AA-17110-08-55-A-6</u>	389,039	172,263
ARRA Youth Activities	<u>17.259</u>	<u>AA-17110-08-55-A-6</u>	2,198,000	2,198,000
ARRA Dislocated Workers	<u>17.260</u>	<u>AA-17110-08-55-A-6</u>	76,255	76,255
Total ARRA Funds			<u>2,663,294</u>	<u>2,446,518</u>
Total WIA Cluster			<u>8,510,207</u>	<u>7,863,856</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<u>10,144,580</u>	<u>7,863,856</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CITY OF OAKLAND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**For the Year Ended June 30, 2010**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>	<u>Amount Passed-Through to Subrecipients</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through the State of California				
Department of Transportation-				
Highway Planning and Construction Cluster:	<u>20.205</u>			
Safe Route To School		<u>STPL - 5012-102</u>	42,834	-
12th Street Reconstruction		<u>STPL - 5012-085</u>	458,572	-
Embarcadero Bridge		<u>STPL - 5012 (037)</u>	152,377	-
Street Resurfacing STP Cycle 2		<u>STPL 5012 (075)</u>	411,526	-
Street Resurfacing		<u>STPL-5012 (084)</u>	1,185,845	-
Hegenberger Bridge Seismic		<u>STPLZ-5012 (027)</u>	45,964	-
Park, Leimert Seismic		<u>STPLZ-5012 (025)</u>	81,627	-
23rd Campus Drive Coliseum		<u>STPLZ 5012 (028)</u>	71,703	-
			<u>2,450,448</u>	<u>-</u>
ARRA-Citywide Ramps & Sidewalk Repairs-2163		<u>ESPL-5012 (098)</u>	84,299	-
ARRA-Street Resurfacing-2163		<u>ESPL-5012 (099)</u>	196,655	-
ARRA-Street Resurfacing-Phase-2		<u>ESPL-5012 (104)</u>	332	-
ARRA-7th St. West Oakland Transit Village		<u>ESPL-5012 (100)</u>	11,250	-
			<u>292,536</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>2,742,984</u>	<u>-</u>
<b>U. S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Passed through the State of California Water				
Resources Board (CWSRF)				
ARRA - Rainwater Harvesting Program	<u>66.458</u>	<u>C06-6443-110</u>	115,968	-
ARRA - Removal of Stormwater Pollutants		<u>C06-6199-110</u>	946,262	-
			<u>1,062,230</u>	<u>-</u>
Brownfields Training Research and Cleanup				
Cooperative Agreements	<u>66.818</u>	<u>BL98968501-0</u>	3,086	-
		<u>BL969901010</u>	178,490	-
ARRA - Hazardous Assessment Grant	<u>66.818</u>	<u>HZD/PETRL SUBS.</u>	21,609	-
Total Brownfields Assessment and Cleanup			<u>203,185</u>	<u>-</u>
Cooperative Agreements				
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<u>1,265,415</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CITY OF OAKLAND  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
For the Year Ended June 30, 2010**

FEDERAL GRANTOR/PROGRAM TITLE	CFDA Number	Grant Number	Expenditures	Amount Passed-Through to Subrecipients
<b>U.S. DEPARTMENT OF ENERGY</b>				
ARRA- Energy Efficiency and Conservation Block Grant	<u>81.128</u>	<u>Agreement</u>	370,089	-
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>			<u>370,089</u>	<u>-</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through the State of California State Library- Even Start: State Educational Agencies	<u>84.213</u>	<u>E-116-00-00</u>	115,784	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>115,784</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Medical Reserve Corps Small Grant Program	<u>93.008</u>	<u>MRC091176</u>	3,002	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	<u>93.104</u>	<u>5 U79 SM56051-04-01</u>	535,206	-
Head Start Cluster:				
Head Start	<u>93.600</u>	<u>09CH9006/34-37</u>	5,370	-
		<u>09CH9006/08-09</u>	1,526,871	237,478
		<u>10CH9006/09-10</u>	12,388,137	1,871,260
Early HeadStart	<u>93.600</u>	<u>09CH9006/08-09</u>	311,207	311,197
		<u>09CH9006/09-10</u>	2,106,777	2,015,815
			<u>16,338,362</u>	<u>4,435,750</u>
ARRA Head Start	<u>93.708</u>	<u>09SE9006/01</u>	407,314	193,602
ARRA Early Head Start	<u>93.709</u>	<u>09SE9006/01</u>	1,111,521	-
<b>Total Head Start Cluster</b>			<u>17,857,197</u>	<u>4,629,352</u>
Passed Through the State of California Department of Economic Opportunity: National Family Caregiver Support	<u>93.052</u>	<u>Agreement</u>	5,462	-
Passed Through the State of California Department of Community Service and Development: CSBG Cluster:				
Community Services Block Grant	<u>93.569</u>	<u>08F-4903</u>	438,720	-
		<u>10F-4003</u>	303,262	397
			<u>741,982</u>	<u>397</u>
ARRA Community Service Block Grant	<u>93.710</u>	<u>09F-5103</u>	477,207	212,321
<b>Total CSBG Cluster</b>			<u>1,219,189</u>	<u>212,718</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CITY OF OAKLAND  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
For the Year Ended June 30, 2010**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>	<u>Amount Passed-Through to Subrecipients</u>
Passed Through the State of California				
Department of Aging:				
Medical Assistance Program (Medicaid)	<u>93.778</u>	<u>MS-08-09</u>	43,398	-
		<u>MS-09-10</u>	1,554,723	-
			<u>1,598,121</u>	<u>-</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>21,218,177</u>	<u>4,842,070</u>
<b>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>				
Foster Grandparent/Senior Companion Cluster:				
Foster Grandparent Program	<u>94.011</u>	<u>03SFPCA010</u>	292	-
		<u>06SFPCA009</u>	4,150	-
		<u>09SFPCA010</u>	30,280	-
Senior Companion Program	<u>94.016</u>	<u>06SCPCA005</u>	314,224	-
Total Foster Grandparent/Senior Companion Cluster			<u>348,946</u>	<u>-</u>
<b>TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>			<u>348,946</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
National Urban Search and Rescue (US&R)				
Response System	<u>97.025</u>	<u>USAR Grant-08-09</u>	205,922	-
		<u>USAR Grant-08-09</u>	900,444	-
			<u>1,106,366</u>	<u>-</u>
Disaster Grants - Public Assistance	<u>97.036</u>			
FEMA OES -98		<u>01-089</u>	6	-
Disaster Resistant Community	<u>97.039</u>	<u>EMW-97-GR-0521</u>	100,971	-
Assistance To Firefighter grant	<u>97.044</u>	<u>EMW/2007/FP/01889</u>	3,500	-
Driving Simulator		<u>EMW/2008/FO/11173</u>	584,148	-
			<u>587,648</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CITY OF OAKLAND  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
For the Year Ended June 30, 2010**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>	<u>Amount Passed-Through to Subrecipients</u>
Homeland Security Cluster:				
Community Emergency Response Team	<u>97.004</u>	<u>2004-45OESID#001000000</u>	42,348	-
Homeland Security Grant Program	<u>97.067</u>	<u>SUASI-006-0071</u>	2,783,419	-
			<u>2,825,767</u>	<u>-</u>
Metropolitan Medical Response System	<u>97.071</u>	<u>EMW-2004-GR-0606</u>	1,223	-
		<u>233-03-0095</u>	1,548	-
			<u>2,771</u>	<u>-</u>
Total Homeland Security Cluster			<u>2,828,538</u>	<u>-</u>
Regional Catastrophic Grant	<u>97.111</u>	<u>Agreement</u>	152,764	-
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>4,776,293</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 74,982,689</u>	<u>\$ 22,839,885</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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**CITY OF OAKLAND**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

**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, 2010, 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 special revenue funds.

**Note 4 – Federal Expenditures of the Port of Oakland not included in the SEFA**

The Port of Oakland's (Port) federal expenditures are excluded from the SEFA because such expenditures are reported separately. Expenditures for the programs of the Port listed below are taken from the separate single audit report. The programs of the Port are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Defense</b>		
Environmental Services Cooperative Agreement - passed through from the Oakland Base Reuse Authority	12-UNKNOWN	\$ 380,778
<b>Department of Transportation</b>		
Airport Improvement Program	20.106	10,372,891
Airport Improvement Program- ARRA	20.106	5,899,308
<b>Department of Homeland Security</b>		
Port Security Grant Program	97.056	<u>1,751,219</u>
<b>Total Federal Expenditures</b>		<u><u>\$ 18,404,196</u></u>

**CITY OF OAKLAND**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

**Note 5 – Loans Outstanding**

The City participates in certain federal award programs of the U.S. Department of Housing and Urban Development (HUD) that sponsor revolving loan and loan guarantee programs, which are administered by the City. These programs maintain servicing and trust arrangements with the City to collect loan repayments. These repayments are made available for new loans. Of these revolving loan and loan guarantee programs, the HOME Investment Partnerships Program (CFDA No. 14.239) is the only loan program with continuing compliance requirements. The following is a summary of the changes in outstanding loans receivable used to determine the value at June 30, 2010:

Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Allowance for Doubtful Accounts	Balance, Net June 30, 2010
\$ 54,654,468	\$ 2,319,086	\$ (275,131)	\$ 56,698,423	\$ (163,608)	\$ 56,534,815



**CITY OF OAKLAND**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2010

**Section I – Summary of Auditor’s Results**

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	Program name
14.218/14.253	Community Development Block Grants – Entitlement Grants Cluster
14.235	Supportive Housing Program
14.239	HOME Investment Partnerships Program
14.248	Community Development Block Grants – Section 108 Loan Guarantees
16.710	Public Safety Partnership and Community Policing Grants
16.804	Edward Byrne Memorial Justice Assistance Grant Program
17.258/17.259/17.260	WIA Cluster
20.205	Highway Planning and Construction Grants
93.600/93.708/93.709	Head Start Cluster
93.778	Medical Assistance Program (Medicaid)

Dollar threshold used to distinguish between Type A and Type B programs:	\$2,249,481
Auditee qualified as low-risk auditee?	No

**CITY OF OAKLAND**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

**Section II – Financial Statement Findings**

**Comment No. 2010-1 – Significant Deficiency**  
**Evaluation of Allowances on Notes and Loans Receivable**

During the year, the City had identified approximately \$14 million in outstanding loans that should have been written off as bad debt during fiscal year 2006-07 and removed from its assets. The need for the reduction in outstanding loans was not discovered on a timely basis, due to the complex restructuring agreements for multiple loans and entities. This error was subsequently corrected in fiscal year 2009-10 during a performance audit of the Community and Economic Development Agency loan programs. In addition, MGO detected smaller inaccuracies in the calculation of the allowance for bad debt on notes and loans receivables during our audit procedures. The City could have detected the \$14 million and other smaller inaccuracies on a timely basis with stronger analysis of the collectability of outstanding notes and loans on a periodic basis.

The City should improve the process and frequency of its evaluation of allowances on notes and loans receivable in order to strengthen internal controls and ensure that notes and loans receivable are reported in accordance with GAAP.

*Management Response:*

Management concurs with the recommendation and the reduction in the notes and loan receivable has no financial impact to the City's fund balance. Finance and Management Agency (FMA) in consultation with other City Agencies and/or departments will review current policies and procedures to improve the process and frequency of its evaluation of allowances on notes and loans receivable in order to strengthen internal controls and ensure that notes and loans receivable are reported in accordance with GAAP. FMA will implement the following:

1. Perform an aging analysis of the City's notes and loan receivable portfolio on a periodic basis
2. Establish an allowance for doubtful accounts policy that includes preparing periodic estimates of uncollectible loan balances for review and authorization by management.
3. Develop a comprehensive Administrative Instruction (AI) for notes and loan receivables.

**Comment No. 2010-2 – Significant Deficiency**  
**Lack of IT Risk Assessments**

Industry best practices suggest that agencies, departments and business units perform a risk assessment. An IT risk assessment is a process to determine what information resources exists that require protection, and to understand and document potential risks from IT security failures that may cause loss of information confidentiality, integrity, or availability. The purpose of a risk assessment is to help management create appropriate strategies and controls for stewardship of information assessments.

**CITY OF OAKLAND**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

The City has not conducted an IT risk assessment and therefore has no mechanism to determine whether current operations are designed to effectively mitigate risk within its environment. It currently does not have a comprehensive risk assessment processes whereby operations are evaluated for risk. Without a risk assessment process, the City cannot fully develop mitigation plans for the various risks that may exist within its environment. Due to the current economic situation of the City, risk assessments are more significant because they can assist in identifying where budgetary savings can be gained and the impact that layoffs and other budgetary based decisions may have on the City. Because risk assessments are not currently performed, the IT department has no way to determine the risk impact that recent layoffs have had on its environment. This could pose a significant risk to the City in the event that internal control procedures do not provide for the appropriate segregation of duties within the operations because staffing levels are inadequate.

The City should begin efforts to develop a risk assessment process within its IT department and consider developing a City-wide risk assessment process. The risk assessment could either be 1) performed internally by the City's internal audit function in unison with the IT department management and staff or 2) conducted by an external third party experienced in performing IT risk assessments.

*Management Response:*

The Department of Information Technology (DIT) has continually performed an internal department assessment to understand and take immediate action on potential risks. Our internal assessment covers risks associated with failures and security breaches that could potentially compromise the confidentiality, integrity, and availability of the systems that we support. The last risk assessment was conducted in August 2009 when DIT upgraded the Oracle system. In response to the findings, DIT completely reengineered external and internal security systems and installed additional system redundancies to fortify our Data Centers from attacks and failures. DIT also conducts an assessment of risks for layoffs. Impacts and risks from layoffs are routinely communicated to the City Administrator and City Council through Staff Reports when there is a reduction in staff

DIT completed a comprehensive IT risk assessment for all agencies/departments in 2005. An assessment of the kind conducted in 2005 is very expensive. Budget cuts have not allowed DIT to conduct a similar citywide IT risk assessment since that time.

**Comment No. 2010-3 – Significant Deficiency  
Inadequate IT Back-Up Recovery Site Location**

Best practices for disaster recovery suggest that a back-up location should be at least 20 miles away from the main location and in a location that is not susceptible to the same types of disasters (flood, fire, terrorist acts, etc.) as the main location. The reason for this control is to ensure that the City's systems can be restored in the event of a disaster. If the primary and back-up locations are geographically close, it increases the risk of both locations being unavailable in the event of a disaster. Currently, the City's back-up location is four blocks away from the main data center. This second location was chosen because it is a City building with good safety features, including a recent upgrade to withstand significant earthquakes. By not having a second location outside of the 20 mile radius, the City is at an increased risk of longer recovery times if a disaster event occurs.

**CITY OF OAKLAND**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

The City should research back-up locations outside of the 20 mile radius of the main location. Once back-up location options are determined, budgetary resources should be granted to fund the establishment of a back-up location that aligns with best practices and assures the City's backup financial information and data are secured.

*Management Response:*

DIT has routinely backed up its critical data assets (i.e. programs and information) and rotated the data assets to a vendor's "harden" site in Sacramento, California. In the case of a disaster, the data assets could be restored on newly purchased computer hardware, if the existing computers in our local Data Centers are destroyed. However, recovery would require a lengthy lead time of 30 to 45 days to purchase and install new computer hardware. To reduce this recovery lead time, DIT recommends the use of a remote recovery site or a reciprocal agreement with a sister city which would allow DIT to locate its recovery system in their data center. DIT has had some discussions with the City of Burbank, California Data Center for this purpose, but has not come to an agreement that is agreeable to both parties.

Section III Federal Award Findings and Questioned Costs

No matters were reported.

**CITY OF OAKLAND**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2010

Reference Number: Financial Statement Finding 2009-1

Audit Finding: The City has not set user fees to recover the full cost of services. Due to the deficiency in charges for services, the internal service funds have essentially borrowed monies from the General Fund in order to maintain operations. The City has acknowledged this matter as significant and has made an effort to take corrective measures. The City prepared a “rebalancing plan” for its internal service funds, which was first adopted for the fiscal year 2005-07 policy budget, which attempted to cure the internal service fund deficit by fiscal year 2014-15. However, the rebalancing plans put in place in fiscal years 2006 and 2007 were not followed correctly due to the lack of general fund resources to make the required annual payments. As such, the City restructured its rebalancing plan as part of the adopted fiscal year 2009-11 budget. The restructured rebalancing plan was modified to cure the net assets deficit of internal service funds by fiscal year 2018-19. In addition, the City adopted a financial policy during the 2009-11 budget that requires one-half of one-time revenues received be used specifically to reduce the net assets deficits of internal service funds.

We recommend that the City monitor the progress of its restricted rebalancing plan very closely to ensure its feasibility. If it is determined that the plan is not feasible and that the City does not intend to or cannot recover the full cost of providing goods or services within a reasonable period of time, then the use of internal service funds is no longer appropriate under GAAP and should not be used for financial reporting purposes.

Status of Corrective Action: As discussed over the years, we became increasingly concerned with the growth in both the net assets deficits of certain internal service funds and the interfund borrowings needed to support those services. For fiscal year 2010, the City was able to achieve a positive change in net assets for each of the internal service funds that had a beginning deficit net assets balance. In addition the improvement to net assets for each of these funds was greater than the change projected in the restructured rebalancing plan. The interfund borrowing has been reduced to \$45.6 million as of June 30, 2010, an improvement over the \$50.8 million that was due as of June 30, 2009.

**CITY OF OAKLAND**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2010

Reference Number: Federal Award Finding 2009-2

Audit Finding: The City did not submit the monthly written statements during fiscal year 2009 as required by the Contract for Loan Guarantee Assistance Under Section 108 of the Housing and Community Development Act of 1974, as Amended, 42 U.S.C. Section 5308 (Loan Contract). Per paragraphs 1(b) and 6(b) of the Loan Contract, the City is required by the fifteenth day of each month to provide the Secretary of Housing and Urban Development with a written statement showing the balance of funds in the Guaranteed Loan Funds Investment Account and the Loan Repayment Account and the deposits and withdrawals from such accounts during the preceding calendar month and a statement identifying the obligations and their assignments in the Guaranteed Loan Funds Investment Account and the Loan Repayment Account.

We recommended that the City implement internal controls over the monthly preparation and review and approval of the written statement required by the Loan Contract. As part of the implementation of the internal controls, the City should identify qualified individuals to be responsible for the preparation and review and approval processes.

Status of Corrective Action: Implemented

# SUPPLEMENTARY SCHEDULES

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**CITY OF OAKLAND**  
**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES**  
**STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY SERVICE AND DEVELOPMENT (CSD)**  
**COMMUNITY SERVICE BLOCK GRANT-ARRA (CSBG-ARRA)-CFDA NO. 93.710**  
**CONTRACT NO. 09F-5103, PROJECT NO. G358430/40**  
**For the Period July 1, 2009 to June 30, 2010**

	<u>Actual</u>	<u>Total Reported <sup>1</sup></u>	<u>Total Budget</u>
<b>Revenue</b>			
Grant Amount	\$ 460,238	\$ 460,238	\$ 1,212,696
Interest Income	-	-	-
<b>Total Revenue</b>	<u>\$ 460,238</u>	<u>\$ 460,238</u>	<u>\$ 1,212,696</u>
<b>Expenditures</b>			
<b>Personnel Costs:</b>			
Salaries and Wages	\$ 10,531	\$ 4,993	\$ 6,346
Fringe Benefits	6,049	2,868	3,645
<b>Subtotal Personnel Costs</b>	<u>16,580</u>	<u>7,861</u>	<u>9,991</u>
<b>Non-Personnel Costs</b>			
Travel	-	-	10,000
Consumable Supplies	88	-	11,280
Equipment Lease/Purchase	-	-	5,000
Consultant Services	-	-	-
Sub-Contractors	425,899	425,899	1,129,648
Other Costs	34,640	43,447	46,777
<b>Subtotal Non-Personnel Costs</b>	<u>460,627</u>	<u>469,346</u>	<u>1,202,705</u>
<b>Total Expenditures</b>	<u>\$ 477,207</u>	<u>\$ 477,207</u>	<u>\$ 1,212,696</u>

<sup>1</sup> - The reported column represents expenditures reported to the State of California Department of Community Services and Development for the period July 1, 2009 to June 30, 2010.



**CITY OF OAKLAND**  
**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES**  
**STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY SERVICE AND DEVELOPMENT (CSD)**  
**COMMUNITY SERVICE BLOCK GRANT (CSBG)-CFDA NO. 93.569**  
**CONTRACT NO. 10F-4003, PROJECT NO. G358410/20**  
**For the Period January 1, 2010 to June 30, 2010**

	<u>Actual</u>	<u>Total Reported <sup>1</sup></u>	<u>Total Budget</u>
<b>Revenue</b>			
Grant Amount	\$ 254,502	\$ 254,502	\$ 718,453
Interest income	-	-	-
<b>Total Revenue</b>	<u>\$ 254,502</u>	<u>\$ 254,502</u>	<u>\$ 718,453</u>
<b>Expenditures</b>			
Personnel Costs:			
Salaries and Wages	\$ 89,811	\$ 89,812	\$ 172,449
Fringe Benefits	51,394	51,394	106,851
<b>Subtotal Personnel Costs</b>	<u>141,205</u>	<u>141,206</u>	<u>279,300</u>
Non-Personnel Costs			
Travel	-	1,989	15,000
Consumable Supplies	8,091	5,825	3,500
Equipment Lease/Purchase	-	-	-
Consultant Services	-	-	-
Sub-Contractors	125,162	142,002	384,000
Other Costs	28,804	12,240	36,653
<b>Subtotal Non-Personnel Costs</b>	<u>162,057</u>	<u>162,056</u>	<u>439,153</u>
<b>Total Expenditures</b>	<u>\$ 303,262</u>	<u>\$ 303,262</u>	<u>\$ 718,453</u>

<sup>1</sup> - The reported column represents expenditures reported to the State of California Department of Community Services and Development for the period January 1, 2010 to June 30, 2010.

**CITY OF OAKLAND**  
**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES**  
**STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY SERVICE AND DEVELOPMENT (CSD)**  
**COMMUNITY SERVICE BLOCK GRANT (CSBG)-CFDA NO. 93.569**  
**CONTRACT NO. 08F-4903, PROJECT NO. G311310/20**  
**For the Period January 1, 2009 to June 30, 2010**

	Jan. 1, 2009 through June 30, 2009	July 1, 2009 through Dec. 31, 2009	Jan. 1, 2010 through June 30, 2010	Total Actual	Total Reported <sup>1</sup>	Total Budget
<b>Revenue:</b>						
Grant Amount	\$ 150,786	\$ 342,643	\$ 225,024	\$ 718,453	\$ 718,453	\$ 718,453
Interest Income	-	-	-	-	-	-
<b>Total Revenue</b>	<b>\$ 150,786</b>	<b>\$ 342,643</b>	<b>\$ 225,024</b>	<b>\$ 718,453</b>	<b>\$ 718,453</b>	<b>\$ 718,453</b>
<b>Expenditures:</b>						
<b>Personnel Costs:</b>						
Salaries and Wages	\$ 93,152	\$ 123,829	\$ (14)	\$ 216,967	\$ 182,016	\$ 172,449
Fringe Benefits	56,867	71,229	(110)	127,986	105,802	106,951
<b>Subtotal Personnel Costs</b>	<b>150,019</b>	<b>195,058</b>	<b>(124)</b>	<b>344,952</b>	<b>287,818</b>	<b>279,400</b>
<b>Non-Personnel Costs:</b>						
Travel	9	8,591	183	8,783	10,574	14,305
Consumable Supplies	1,327	2,949	3,706	7,982	3,500	3,500
Equipment Lease/Purchase	-	244	-	244	-	-
Consultant Services	-	-	-	-	-	-
Sub-Contractors	110,498	99,885	81,580	291,963	382,808	389,000
Other Costs	17,880	13,242	33,405	64,527	33,753	32,248
<b>Subtotal Non-Personnel Costs</b>	<b>129,714</b>	<b>124,911</b>	<b>118,874</b>	<b>373,499</b>	<b>430,635</b>	<b>439,053</b>
<b>Total Expenditures</b>	<b>\$ 279,733</b>	<b>\$ 319,969</b>	<b>\$ 118,750</b>	<b>\$ 718,451</b>	<b>\$ 718,453</b>	<b>\$ 718,453</b>

<sup>1</sup> -The reported column represents expenditures reported to the State of California Department of Community Services and Development for the period January 1, 2009 to June 30, 2010.

**CITY OF OAKLAND  
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF  
ALAMEDA COUNTY AWARDS  
For the year ended June 30, 2010**

<u>ALAMEDA COUNTY AWARD/PROGRAM TITLE</u>	<u>CONTRACT NUMBER</u>	<u>EXHIBIT/PO NUMBER</u>	<u>EXPENDITURES</u>
<b>DEPARTMENT OF ADULT &amp; AGING SERVICES</b>			
Linkages	SOCSA-900163	SE08-140	S 128,626
Linkages/Respite	SOCSA-900163	SE08-140	5,601
Information and Assistance	SOCSA-900163	SE06-148	<u>42,166</u>
<b>TOTAL DEPARTMENT OF ADULT &amp; AGING SERVICES</b>			<u><b>176,393</b></u>
<b>HOUSING &amp; COMMUNITY DEVELOPMENT DEPARTMENT</b>			
Temporary Winter Shelter Program	OABTWS	C-2335	21,628
Temporary Winter Shelter Program	OABTWS	C-4790	<u>123,190</u>
<b>TOTAL HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT</b>			<u><b>144,818</b></u>
<b>HEALTH CARE SERVICES AGENCY</b>			
Target Case Management	MOU	SEO-136	<u>230,591</u>
<b>TOTAL HEALTH CARE SERVICES AGENCY</b>			<u><b>230,591</b></u>
<b>PUBLIC HEALTH DEPARTMENT</b>			
Tobacco Control Program	CONTRACT	PHSVC-5940	<u>15,000</u>
<b>TOTAL DEPARTMENT OF PUBLIC HEALTH</b>			<u><b>15,000</b></u>
<b>DEPARTMENT OF WORKFORCE &amp; BENEFITS ADMINISTRATION</b>			
Henry J. Robinson Multi-Service Cemer	SOCSA-7418	C-2879	<u>229,669</u>
<b>TOTAL DEPARTMENT OF WORKFORCE &amp; BENEFITS ADMINISTRATION</b>			<u><b>229,669</b></u>
<b>TOTAL ALAMEDA COUNTY AWARDS</b>			<u><b>\$ 796,471</b></u>