



# CITY OF OAKLAND, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED JUNE 30, 2010

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

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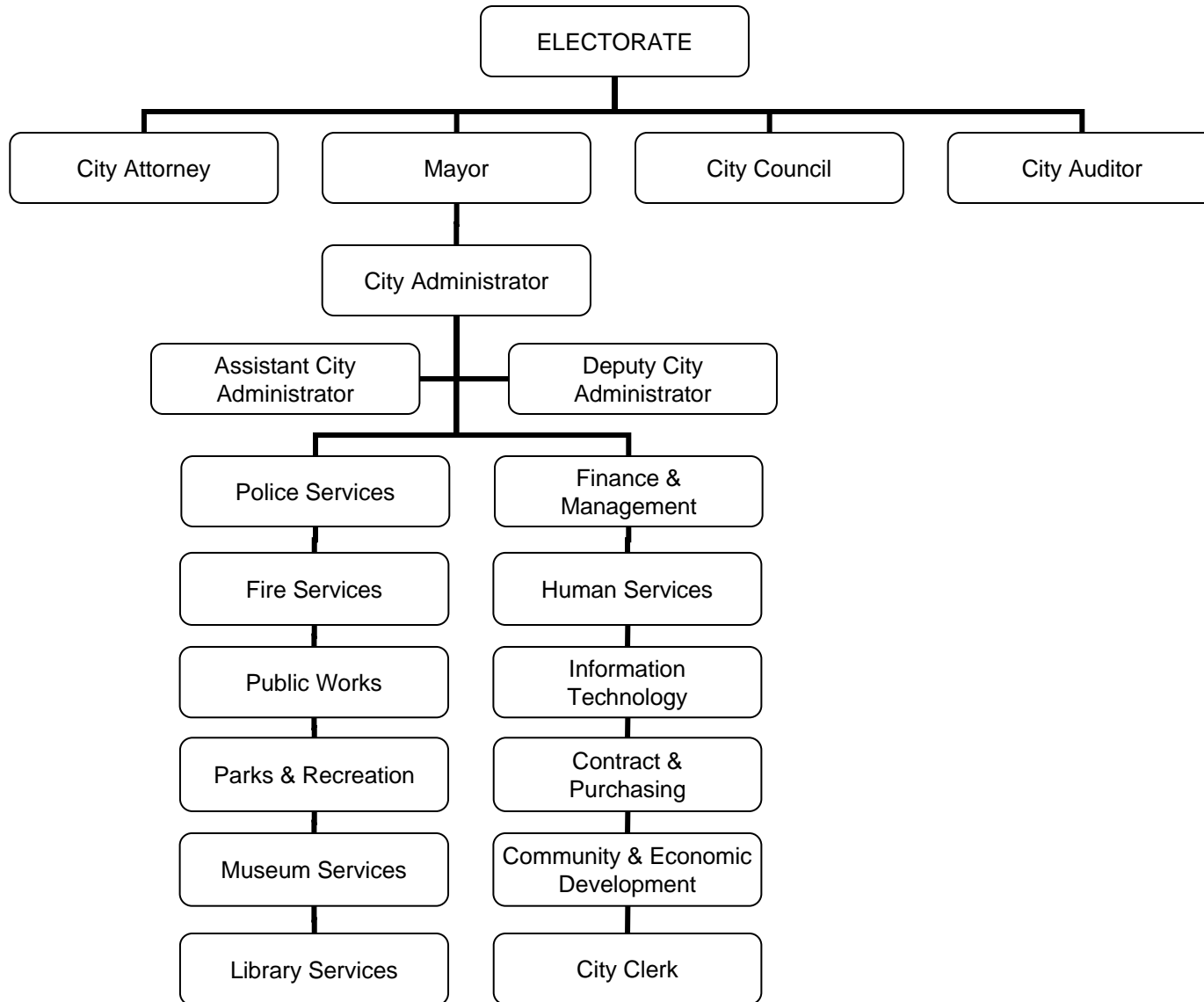
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# City of Oakland Organization Chart



**DIRECTORY OF CITY OFFICIALS  
MAYOR/COUNCIL FORM OF GOVERNMENT  
JUNE 30, 2010**

**MAYOR**



Ronald V. Dellums

**MEMBERS OF THE CITY COUNCIL**

Ignacio De La Fuente



*Vice Mayor (District 5)*

Jean Quan



*District 4*

Rebecca Kaplan



*At Large*

Jane Brunner



*President (District 1)*

Patricia Kernighan



*District 2*

Nancy Nadel



*District 3*

Desley Brooks



*District 6*

Larry Reid



*District 7*



**COUNCIL OR MAYOR APPOINTED OFFICERS**

Dan Lindheim



*City Administrator*

Marianna Marysheva-Martinez, *Assistant City Administrator*

La Tonda Simmons, *City Clerk*

**ELECTED OFFICERS**

John Russo



*City Attorney*

Courtney Ruby



*City Auditor*

**AGENCY & DEPARTMENT DIRECTORS**

Vitaly B. Troyan (Interim)  
*Public Works*

Audree Jones- Taylor  
*Parks & Recreation*

Gerald A. Simon  
*Fire Services*

Joseph T. Yew, Jr.  
*Finance & Management*

Anthony W. Batts  
*Police Services*

Lori Fogarty  
*Museum Services*

Kenneth Gordon (Acting)  
*Information Technology*

Deborah Barnes  
*Contracting & Purchasing*

Walter Cohen  
*Community & Economic Development*

Andrea Gourdine  
*Human Resources*

Andrea Youngdahl  
*Human Services*

Carmen Martinez  
*Library Services*



**CITY OF OAKLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PROJECT TEAM**

Joseph T. Yew, Jr  
*Finance Director / City Treasurer*

Osborn K. Solitei  
*Controller*

**AUDIT/FINANCIAL STATEMENT COORDINATOR**

Osborn K. Solitei, *Controller*

**FINANCIAL STATEMENT PREPARATION**

**Financial Statement Leaders**

Theresa Woo  
*Acting Financial Analyst*

Connie L. Chu  
*Accountant III*

**Accounting CAFR Team**

Michelle Wong  
Jennifer Luong

Erico Parras  
Felipe Kiocho  
David Warner

Andy Yang  
Rogelio Medalla

**ADMINISTRATIVE SUPPORT**

Deborah Griffin, *Administrative Assistant*

**SPECIAL ASSISTANCE**

Donna Treglown  
Dawn Hort

Gregoria Torres

Katano Kasaine  
Sharon Holman

**SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES**

City Administrator's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

Risk Management

# 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 opinions, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

  
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)*

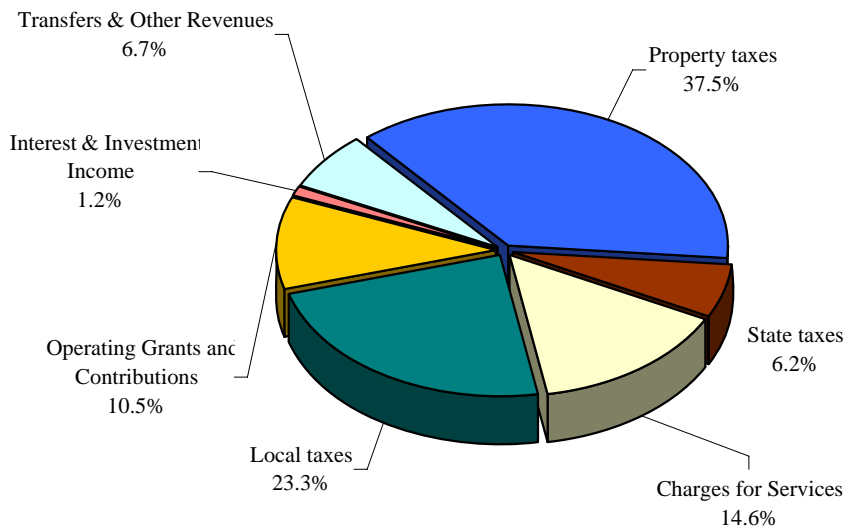
	Governmental Activities		Business-Type Activities		Totals	
	2010	2009 (1)	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 135,458	\$ 126,055	\$ 39,615	\$ 36,178	\$ 175,073	\$ 162,233
Operating grants and contributions	97,177	94,353	-	-	97,177	94,353
General revenues:						
Property taxes	346,859	359,851	-	-	346,859	359,851
State taxes:						
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
Local taxes:						
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
Total revenues	922,579	969,969	39,728	36,768	962,307	1,006,737
<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
Total expenses	980,600	967,011	27,419	26,182	1,008,019	993,193
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)	-	-
Change in net assets	(56,558)	4,158	10,846	9,386	(45,712)	13,544
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
Net assets at end of year	\$ 549,436	\$ 605,994	\$ 139,844	\$ 128,998	\$ 689,280	\$ 753,974

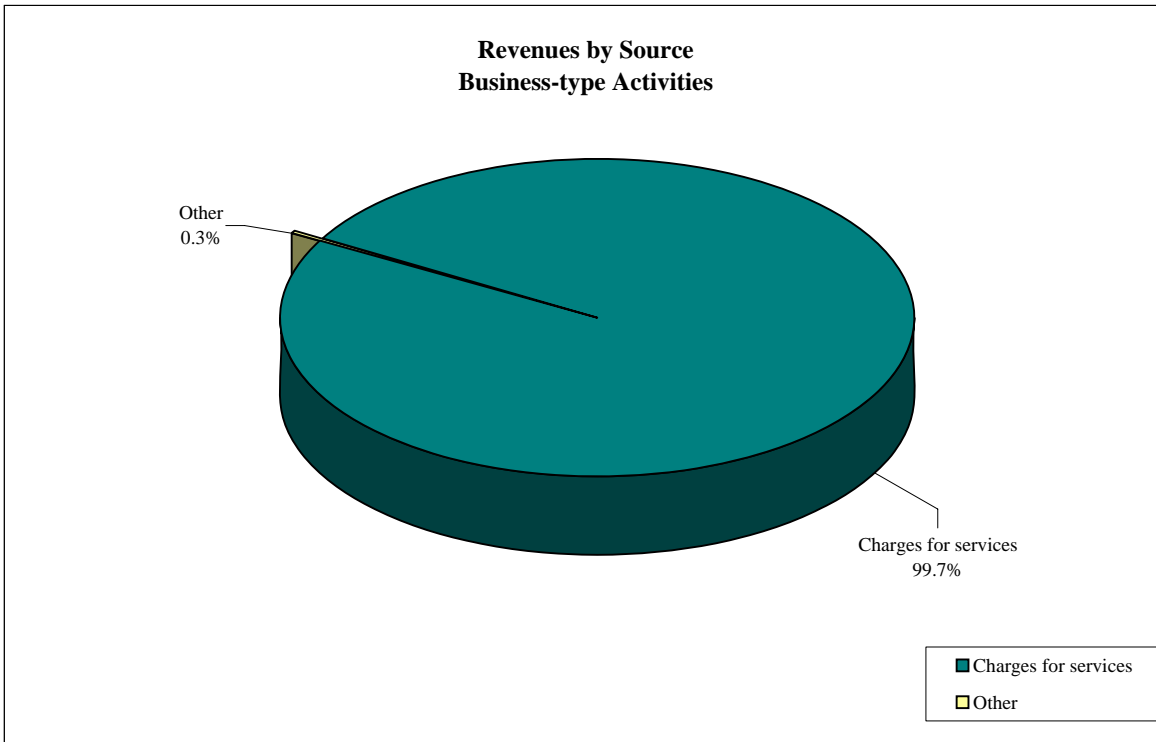
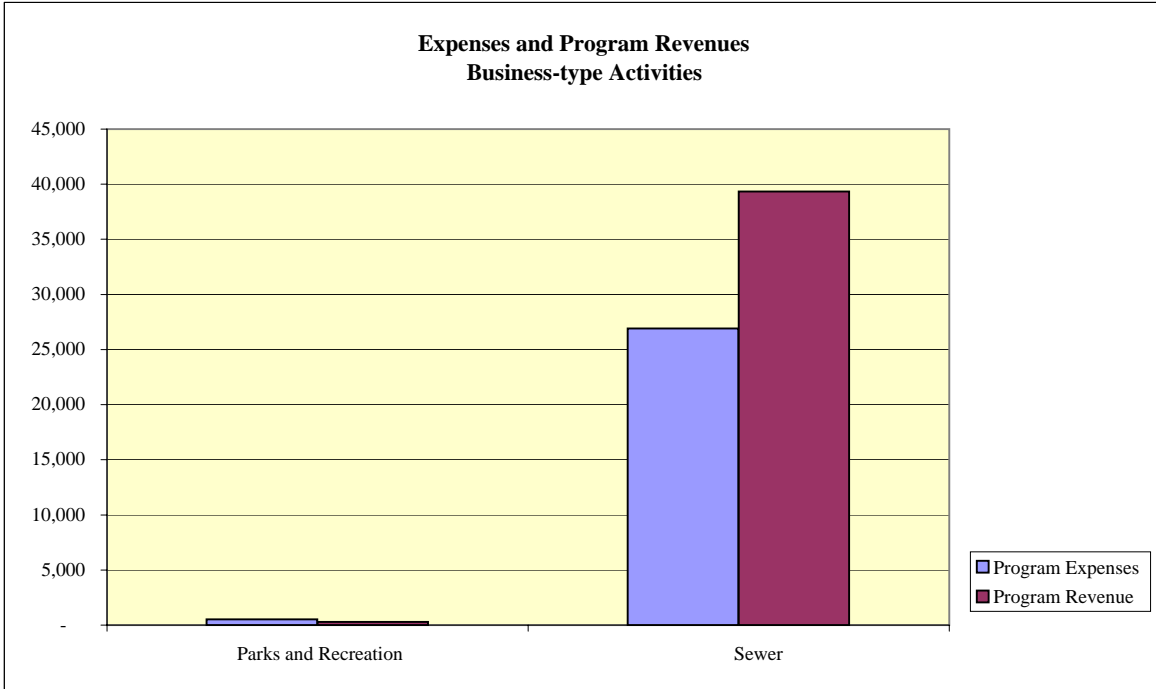
(1) The June 30, 2009 balances were restated to reflect the impact of prior years interest rate swap agreement per GASB No. 53.

### 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 furlough 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)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2010</b>	<b>2009 (1)</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
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 Facilities, infrastructures, and equipment, net of depreciation	139,912	6,181	146,093	647,584
	<u>816,662</u>	<u>154,226</u>	<u>970,888</u>	<u>1,613,579</u>
<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	<u>1,763,644</u>	<u>55,549</u>	<u>1,819,193</u>	<u>1,425,784</u>
<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)	<u>(301,692)</u>	<u>26,126</u>	<u>(275,566)</u>	<u>51</u>
<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	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Unit Port of Oakland
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 83,295	\$ 24,382	\$ 972	\$ -	\$ (57,941)	\$ -	\$ (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	39,283	3,887	-	(27,587)	-	(27,587)	
Interest on long-term debt	73,735	-	-	-	(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>	
Business-type activities:								
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)
General revenues:								
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>						
Reserved:						
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
Unreserved reported in:						
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 \$ 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	\$ 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	\$ (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	\$ (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)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 549,436**

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	-	-	-	243	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	2,513	48,785	227,505
Public Works	32,144	2,738	-	211	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 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)												
<p>Amounts reported for governmental activities in the statement of activities are different due to the following:</p> <p>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.</p>														
<p>Primary government:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital asset acquisition</td> <td style="width: 10%; text-align: right;">\$ 80,834</td> <td style="width: 10%;"></td> </tr> <tr> <td>Retirement of capital assets</td> <td style="text-align: right;">(5,537)</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(49,561)</td> <td></td> </tr> <tr> <td>Less: net changes of capital assets within internal service funds</td> <td style="text-align: right; border-top: 1px solid black;">3,379</td> <td style="text-align: right; vertical-align: bottom;">29,115</td> </tr> </table>			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
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												
<p>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.</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Change in deferred revenue</td> <td style="width: 10%; text-align: right;">\$ (20,196)</td> <td style="width: 10%;"></td> </tr> <tr> <td>New notes and loans</td> <td style="text-align: right; border-top: 1px solid black;">23,641</td> <td style="text-align: right; vertical-align: bottom;">3,445</td> </tr> </table>			Change in deferred revenue	\$ (20,196)		New notes and loans	23,641	3,445						
Change in deferred revenue	\$ (20,196)													
New notes and loans	23,641	3,445												
<p>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.</p> <p style="text-align: right;">8,248</p>														
<p>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.</p> <p style="text-align: right;">(43,791)</p>														
<p>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.</p> <p style="text-align: right;">(1,023)</p>														
<p>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.</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Debt and capital lease principal payments</td> <td style="width: 10%; text-align: right;">\$ 105,742</td> <td style="width: 10%;"></td> </tr> <tr> <td>Issuance of bonds and notes</td> <td style="text-align: right;">(67,693)</td> <td></td> </tr> <tr> <td>Premium and discounts on bonds</td> <td style="text-align: right; border-top: 1px solid black;">(908)</td> <td style="text-align: right; vertical-align: bottom;">37,141</td> </tr> </table>			Debt and capital lease principal payments	\$ 105,742		Issuance of bonds and notes	(67,693)		Premium and discounts on bonds	(908)	37,141			
Debt and capital lease principal payments	\$ 105,742													
Issuance of bonds and notes	(67,693)													
Premium and discounts on bonds	(908)	37,141												
<p>Amortization of bond premiums and discounts</p> <p style="text-align: right;">2,753</p>														
<p>Amortization of refunding loss</p> <p style="text-align: right;">(4,462)</p>														
<p>Additional accrued and accreted interest calculated on bonds and notes payable</p> <p style="text-align: right;">(24,443)</p>														
<p>Principal payments of Coliseum Authority pledge obligation</p> <p style="text-align: right;">3,350</p>														
<p>Net changes in mandated environmental remediation obligation</p> <p style="text-align: right;">1,375</p>														
<p>Net changes on post employment benefits other than pension benefits (OPEB)</p> <p style="text-align: right;">(40,479)</p>														
<p>Net changes on fair market value of interest swap agreements</p> <p style="text-align: right;">(101)</p>														
<p>The net income of activities of internal service funds is reported with governmental activities</p> <p style="text-align: right;">4,235</p>														
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)*

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Nonmajor Fund</u>	<u>Total</u>	<u>Internal</u>
	<u>Service</u>	<u>Parks and</u>		<u>Service</u>
		<u>Recreation</u>		<u>Funds</u>
<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
Total Current Assets	<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	-
Total Non-current Assets	<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
Total Current Liabilities	<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
Total Non-current Liabilities	<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)*

	<u>Business-type Activities Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer Service</u>	<u>Nonmajor Fund Parks and Recreation</u>	<u>Total</u>	<u>Internal Service Funds</u>
<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 Parks 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)

	<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	291,086	-
Securities lending collateral	16,715	-
<b>TOTAL ASSETS</b>	<b>316,969</b>	<b>8,578</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	6,839	365
Securities lending collateral	16,715	-
<b>TOTAL LIABILITIES</b>	<b>23,554</b>	<b>365</b>
<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)*

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS:</b>		
Contributions:		
Member contributions	\$ 7	\$ -
Total contributions	<u>7</u>	<u>-</u>
Trust receipts	<u>-</u>	<u>478</u>
Investment income:		
Net appreciation in fair value of investments	36,766	-
Interest	3,840	25
Dividends	4,923	-
Securities lending	<u>169</u>	<u>-</u>
<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	<u>(63)</u>	<u>-</u>
Total investment expenses	<u>(1,436)</u>	<u>-</u>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>44,262</b>	<b>25</b>
Other income	<u>93</u>	<u>2,653</u>
<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	<u>2,287</u>	<u>-</u>
<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	<u>-</u>	<u>142</u>
<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.