

CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

WILLIAM E. NOLAND, DIRECTOR

ACE A. TAGO, CONTROLLER

PRINTED ON RECYCLED PAPER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	vi
Organizational Chart.....	vii
List of Elected and Appointed Officials.....	viii
Project Team.....	ix
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets.....	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets for Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities.....	23
Statement of Fund Net Assets – Proprietary Funds.....	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Net Assets – Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	28

Notes to Basic Financial Statements:

(1)	Organization and Definition of Reporting Entity	30
(2)	Summary of Significant Accounting Policies	32
(3)	Cash and Investments and Restricted Cash and Investments	42
(4)	Interfund Receivables, Payables and Transfers	57
(5)	Memorandums of Understanding	59
(6)	Notes and Loans Receivable.....	60
(7)	Capital Assets	61
(8)	Property Held for Resale	67
(9)	Accounts Payable and Accrued Liabilities Payable	68
(10)	Deferred Revenue	69
(11)	Tax and Revenue Anticipation Notes Payable	69
(12)	Long-Term Obligations	70
(13)	General Fund Unreserved Fund Balance.....	81
(14)	Self-Insurance.....	82
(15)	Joint Venture.....	86
(16)	Pension Plans.....	89
(17)	Post Employment Benefits Other Than Pension Benefits (OPEB)	96
(18)	Commitments and Contingent Liabilities.....	100
(19)	Related Party Transactions	103
(20)	Deficit Fund Balances/Net Assets & Expenditure Over Budget.....	104
(21)	Subsequent Events.....	105

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Funding Progress –	
PERS Actuarial Valuation.....	108
Budgetary Comparison Schedule – General Fund	110
Budgetary Data.....	111
Reconciliation of Operations on Modified Accrual Basis to Budgetary Basis	113

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:

Combining Balance Sheet – Nonmajor Governmental Funds.....	115
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	116
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds ..	117
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds.....	118
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds	119
Combining Balance Sheet – Nonmajor Governmental Funds – Debt Service Funds	121
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Debt Service Funds.....	122
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds	123
Combining Balance Sheet – Nonmajor Governmental Funds – Capital Projects Funds ...	125
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Projects Funds	126
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects Funds	127
Combining Statement of Fund Net Assets – Internal Service Funds	128
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	129
Combining Statement of Cash Flows – Internal Service Funds.....	130
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	131
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds.....	132
Statement of Fiduciary Net Assets – Private Trust Funds.....	133
Statement of Changes in Fiduciary Net Assets – Private Trust Funds.....	134

STATISTICAL SECTION

Index to Statistical Section		135
Net Assets by Component	1	136
Changes in Net Assets	2	137
Program Revenues by Function/Program.....	3	138
Fund Balances, Governmental Funds.....	4	139
Changes in Fund Balances, Governmental Funds	5	140
Tax Revenues by Source, Governmental Funds.....	6	141
Assessed Value and Estimated Actual Value of Taxable Property	7	142
Direct and Overlapping Property Tax Rates.....	8	143
Principal Property Tax Payers.....	9	144
Property Tax Levies and Collections.....	10	145
Taxable Sales by Category	11	146
Direct and Overlapping Sales Tax Rates.....	12	147
Ratios of Outstanding Debt by Type	13	148
Ratios of General Bonded Debt Outstanding	14	149
Direct and Overlapping Governmental Activities Debt	15	150
Legal Debt Margin Information	16	151
Pledge-Revenue Coverage, Port of Oakland	17	152
Demographic and Economic Statistics.....	18	153
Principal Employers	19	154
Full-Time-Equivalent City Government Employees by Function/Program.....	20	155
Operating Indicators by Function/Program	21	156
Capital Asset Statistics by Function/Program	22	157
General Information		158

INTRODUCTORY SECTION

CITY OF OAKLAND



**FINANCE AND MANAGEMENT AGENCY
ACCOUNTING DIVISION**

150 FRANK H. OGAWA PLAZA, SUITE 6353
OAKLAND, CALIFORNIA 94612
(510) 238-3916

December 17, 2008

Citizens of the City of Oakland
The Honorable Mayor and
Members of the City Council

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in net assets for the fiscal year ended June 30, 2008, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The City's financial statements have been audited by a group of independent auditing firms that are licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2008. The Independent Auditors Report is presented as the first component of the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the

MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

The City has defined its reporting entity in accordance with generally accepted accounting principles that provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements presents information on the activities of the City and its component units.

GAAP require that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the City's operations. Therefore, they are reported as part of the Primary Government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City operations.

Accordingly, we have included the operations of the Oakland Municipal Employees' Retirement System (OMERS), the Police and Fire Retirement System (PFRS), and the Oakland Redevelopment Agency (Agency) as blended component units. The operations of the Port of Oakland (including the Oakland International Airport) is presented discretely. The Oakland-Alameda County Coliseum Authority (Authority) is a Joint Venture owned and operated by the City and the County of Alameda.

The Oakland Housing Authority, the Oakland Unified School District, and the Peralta Community College District were not included because they have limited relationships with the City and, therefore, did not meet the criteria for inclusion in the reporting entity. The City is also represented in six regional agencies that are excluded from the City's reporting entity. These agencies are the San Francisco Bay Area Rapid Transit District (BART), Alameda-Contra Costa Transit District (AC Transit), Bay Area Air Quality Management District, Association of Bay Area Governments (ABAG), East Bay Regional Park District, and the East Bay Municipal Utility District.

Profile of the Government

The City of Oakland was chartered as a city in 1854. It is situated on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers nineteen miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown that is experiencing a tremendous surge in growth, and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the transportation hub of commerce for the Bay Area.

In November 1998, the citizens of Oakland passed Measure X changing the form of government from Council-City Manager to Mayor-Council through a charter amendment. Legislative authority is vested in the City Council and executive authority is vested in the Mayor. The City

Administrator, appointed by and under the direction of the Mayor, has administrative authority to manage the day-to-day administrative and fiscal operations of the City. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

The Mayor and City Council is the governing body of the City and comprises eight elected officials. One Council member is elected “at large”, while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms.

On March 2, 2004, the citizens of Oakland passed Measure P: (1) to repeal the sunset provision of Measure X passed in November 1998 to retain the Mayor-Council form of government; (2) to change the term limit for Mayor from two terms to two consecutive terms; (3) to reduce the number of votes needed for the City Council to pass an ordinance on reconsideration from six votes to five votes; (4) to eliminate the prohibition on paying the Mayor more than the City Administrator; (5) to remove the rule that the Mayor vacates his or her office by missing ten consecutive City Council meetings; (6) to require the Mayor to advise the City Council before removing the City Administrator; and (7) to change the title of the City Manager to “City Administrator”.

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning, and general administrative services.

The City’s budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 30, 2006, the City Council, during its mid-cycle review, approved the City’s revised budget for fiscal year 2006-07.

The City Charter prohibits expending monies for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, although for management purposes, the line item budget is controlled at the departmental level within funds. The City Administrator is authorized to administer the budget and may transfer monies from one activity, program or project to another within the same agency and fund. Supplemental appropriations or transfers of appropriations between funds or agencies must be approved by the City Council.

The City also maintains an encumbrance accounting system to provide budgetary controls for governmental funds. Encumbrances which would result in an overrun of an account balance are suspended in the system until additional funding is made available via budget change requests or withdrawn due to lack of funding. Encumbrances outstanding at June 30 and carried forward are

reported as reservations of the appropriate governmental fund's fund balance since they do not constitute expenditures or liabilities. Encumbrances that do not lapse but are brought forward to the new fiscal year are incorporated as part of the budget adopted by City Council for that year.

Economic Indicators and Next Fiscal Year's Budget and Tax Rates

The City of Oakland's primary economic indicators are highlighted on pages 16 and 17 in the Management Discussion and Analysis (MD&A) section of this report.

Cash Management Policies and Practices

To maximize interest income and maintain liquidity, the City pools operating cash of both the City and Port and invests these monies in securities of various maturities. These monies and operating funds of the Redevelopment Agency and the Oakland Base Reuse Authority are invested pursuant to the City's Investment Policy in compliance with Section 53601 of the California Government Code, the Nuclear Free Zone and Linked Banking Ordinances, and the Tobacco Divestiture Resolution. The objectives of the Investment Policy are to preserve capital, provide adequate liquidity to meet cash disbursements of the City, and to reduce overall portfolio needs while maintaining market-average rates of return. Investments are secured by collateral as required under law, with maturity dates staggered to ensure that cash is available when needed. The City Council receives quarterly reports on the performance of the City's pooled investment program.

The permitted investments include U.S. Treasury notes (with certain restrictions), federal agency issues, bankers' acceptances, commercial paper, corporate stocks and bonds with ratings of A1 or P1 by either Standard and Poor's or Fitch's, negotiable certificates of deposit, Local Agency Investment Fund, and repurchase agreements.

Risk Management

To finance its risks of general liability and workers' compensation, the City maintains a program of self-insurance, supplemented with commercial insurance of limited coverage that is sufficient to protect resources at the lowest reasonable cost. The City does maintain commercial fire insurance policies on all of its buildings. Additionally, the City insures for the perils of earthquake and flood on the Henry J. Kaiser Convention Center and the George F. Scotlan Memorial Convention Center.

The City Attorney represents the City in all of its legal matters, including claims investigation, civil litigation, and disposition of claims and lawsuits.

Insurance to protect and indemnify the City against the risks of general liability and property damage is required in virtually all of its public works, contractor-supplied, and professional services contracts.

Awards

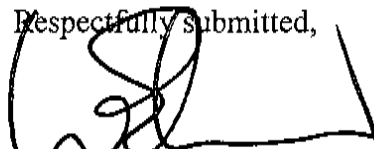
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for 18 of the last 19 years. The single missing year was due to the delay in the submission of the City's CAFR to GFOA as a result of conversion to a new financial management system. The City's Fiscal Year 2007-08 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

I would like to express my appreciation to the entire staff of the Finance and Management Agency, most particularly the Accounting Division, and other agency and departmental staff, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Macias, Gini & O'Connell LLP for their assistance and guidance. Finally, I would like to thank the Mayor, members of the City Council, and the City Administrator for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,



William E. Noland

Director, Finance and Management Agency

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



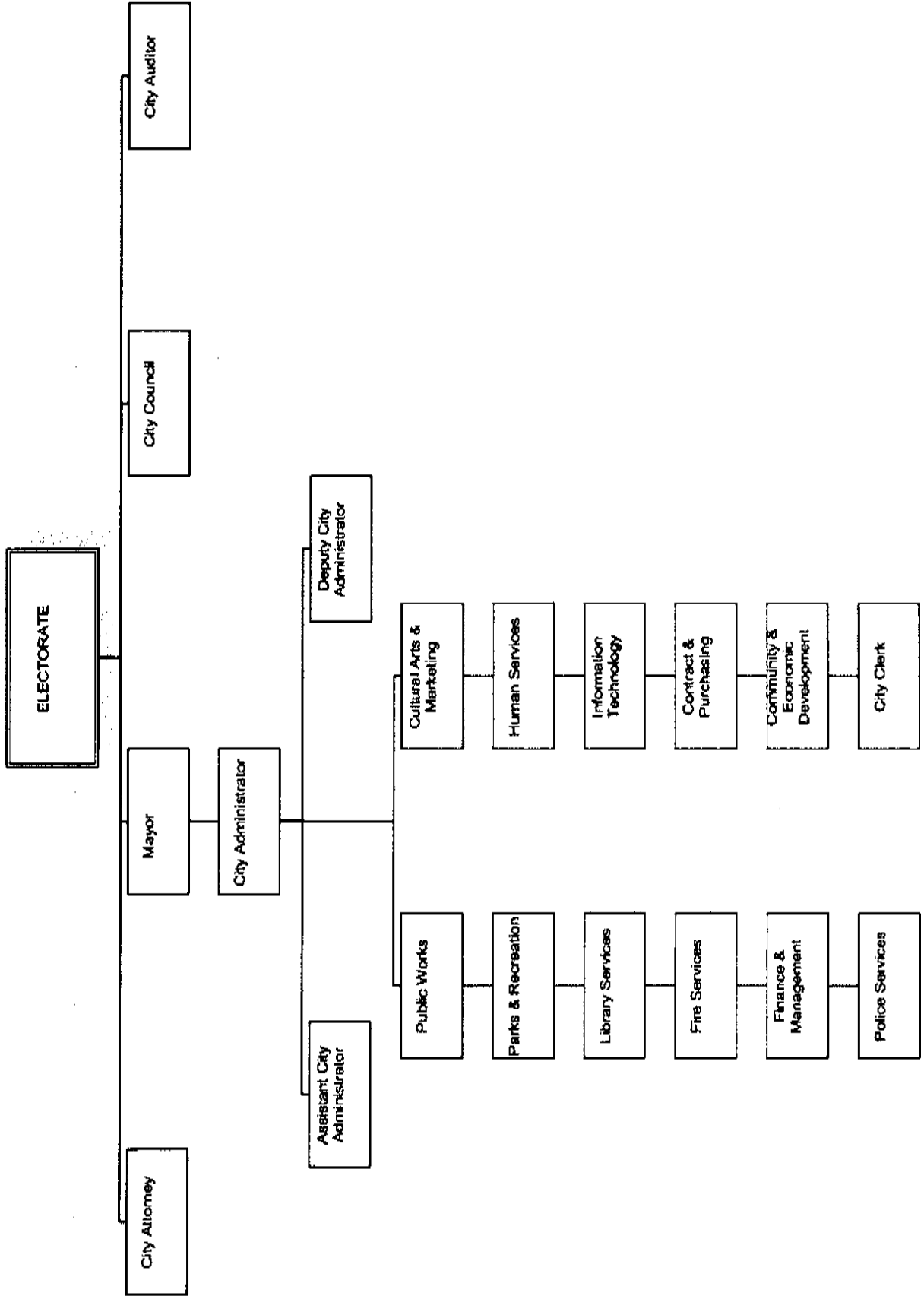
Charles S. Cox

President

Jeffrey R. Emmer

Executive Director

City of Oakland Organization Chart



**DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2008**

MAYOR

Ronald V. Dellums

MEMBERS OF THE CITY COUNCIL

Ignacio De La Fuente, *President (District 5)*

Jean Quan, *Vice-Mayor (District 4)*

At Large – Henry Chang, Jr.

District 3 – Nancy Nadel

District 1 – Jane Brunner

District 6 – Desley Brooks

District 2 – Patricia Kernighan

District 7 – Larry Reid

COUNCIL APPOINTED OFFICERS

Dan Lindheim, *Acting City Administrator*

La Tonda Simmons, *City Clerk*

ELECTED OFFICERS

John Russo, *City Attorney*

Courtney Ruby, *City Auditor*

AGENCY & DEPARTMENT DIRECTORS

Raul Godinez II
Public Works

Audree Jones- Taylor
Parks & Recreation

Carmen Martinez
Library Services

Daniel Farrell
Fire Services

William E. Noland
Finance & Management

Wayne Tucker
Police Services

Lori Fogarty
Cultural Arts & Marketing

Andrea Youngdahl
Human Services

Robert Glaze
Information Technology

Deborah Barnes
Contracting & Purchasing

Eric Angstadt, Acting
Community & Economic Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

Ace A. Tago
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Assistant Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Theresa Woo
Accountant III

Connie L. Chu
Accountant III

Accounting Team (GL, ORA & GRANTS)

Michelle Wong
Jennifer Luong
Frank Catalya
Erico Parras

Edward Chun
Felipe Kiocho
Rogelio Medalla
Leland Lee

Bruce Levitch
Norma Torres
Andy Yang

ADMINISTRATIVE SUPPORT

Ebony Thomas, *Administrative Assistant*

SPECIAL ASSISTANCE

Donna Treglown
Dawn Hort

Deanna Andrews
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

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, 2008. 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 \$740.4 million as of June 30, 2008, compared to \$755.7 million at June 30, 2007. This represents a net decrease of \$15.3 million or 2.0 percent compared to the previous year. Assets decreased by 2.5 percent or net of \$71.4 million, the net decrease is primarily attributed to a decrease of net pension assets in the amount of \$31.6 million to reflect annual pension cost, an increase in capital assets by \$54.6 million and an offset of a combined decrease of \$62.8 million in pooled and restricted cash and investments attributable to the retirement of refunding bonds and spent bond proceeds for capital improvement. Conversely, liabilities decreased by 0.9 percent or \$21.2 million compared to the prior fiscal year primarily as a result of principal debt payments.
- The City's governmental cumulative fund balances decreased by 4.4 percent or \$53.7 million to \$1,157.3 million compared to \$1,211.0 million for the prior fiscal year. This decrease is primarily attributed to a \$67.8 million increase in overall governmental expenditures for its operations and the increase was offset by a \$9.3 million or 1.0 percent increase in overall governmental revenue.
- As of June 30, 2008, the City had total long-term obligations outstanding of \$2.0 billion compared to a similar amount outstanding for the prior fiscal year for a decrease of 1.5 percent or \$30.2 million. Of this amount, \$331.5 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.7 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, 2008 was \$37.5 million compared to \$56.1 million for the previous year, a decrease of 33.2 percent or \$18.6 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 2008.

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 three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements themselves.

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, and central stores. 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 pension trust funds 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, other than this discussion and analysis, concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees and budget-to-actual information for the City's general fund. This required supplementary information is presented immediately following the notes to the basic financial statements.

The combining statements referred to earlier in connection with non-major 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, 2008 by \$740.4 million compared to \$755.7 million as of June 30, 2007, a decrease of \$15.3 million. The largest portion of the City's net assets, 69.4 percent, reflects its investment in capital assets of \$513.8 million for governmental and business type activities net of related debt. Of the remaining balance, 84.6 percent reflects \$191.8 million in resources that are subject to external restrictions on how they may be used. The net deficit of \$110.2 million is

primarily attributed to the restatement of the net pension asset of \$69.2 million as of June 30, 2007 to reflect prior years actuarially required annual contributions, and ongoing projects related to governmental activities and a 6.8 percent increase in expenditures and offset by a 1.0 percent increase in revenues.

City of Oakland's Net Assets
June 30, 2008
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007 (1)	2008	2007 (2)	2008	2007
Assets:						
Current and other assets	\$ 1,866,790	\$1,950,947	\$ 40,808	\$ 47,689	\$ 1,907,598	\$ 1,998,636
Capital assets	899,317	854,373	145,731	136,093	1,045,048	990,466
TOTAL ASSETS	2,766,107	2,805,320	186,539	183,782	2,952,646	2,989,102
Long-term liabilities	1,951,568	1,979,249	63,541	66,024	2,015,109	2,045,273
Other liabilities	193,721	186,286	3,386	1,845	197,107	188,131
TOTAL LIABILITIES	2,145,289	2,165,535	66,927	67,869	2,212,216	2,233,404
Net assets:						
Invested in capital assets, net of related debt	401,881	353,715	111,881	109,886	513,762	463,601
Restricted	336,908	317,558	-	-	336,908	317,558
Unrestricted (deficit)	(117,971)	(31,488)	7,731	6,027	(110,240)	(25,461)
Total net assets	\$ 620,818	\$ 639,785	\$ 119,612	\$ 115,913	\$ 740,430	\$ 755,698

(1) The June 30, 2007 balances were restated to reflect the impact of prior years actuarially required annual contributions on the net pension asset.

(2) The June 30, 2007 balances were restated to reflect the accrual of sewer services revenues as of June 30, 2007 for comparison purposes.

Governmental activities. The City's change in net assets of (\$19.0) million for the year ended June 30, 2008 compared to \$111.6 million for the previous fiscal year represents a net decrease of \$130.6 million. The key elements of this decrease are listed below.

Changes in Net Assets
For the Year Ended June 30, 2008
(In Thousands)

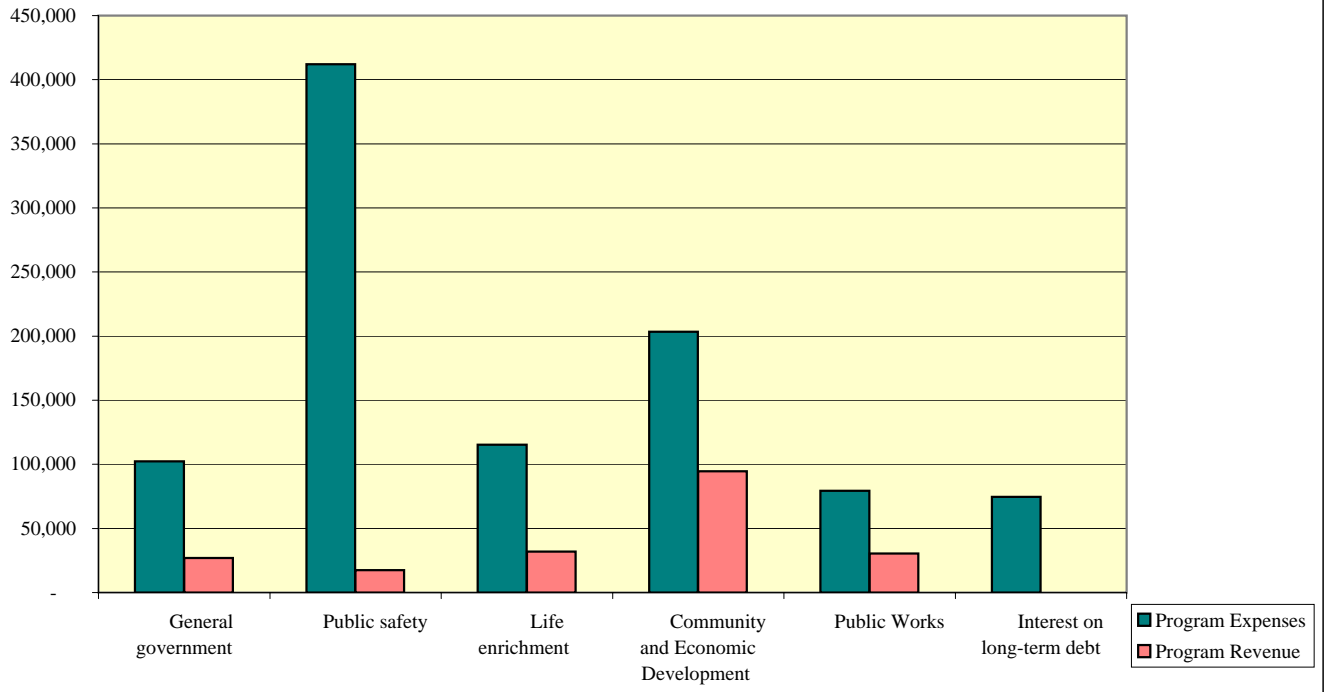
	Governmental Activities		Business-Type Activities		Totals	
	2008	2007 (3)	2008	2007 (2)	2008	2007
Revenues:						
Program revenues:						
Charges for services (1)	\$ 110,296	\$ 97,449	\$ 33,751	\$ 30,075	\$ 144,047	\$ 127,524
Operating grants and contributions	91,278	106,903	-	21	91,278	106,924
General revenues:						
Property taxes	358,338	317,666	-	-	358,338	317,666
State taxes:						
Sales and use taxes	64,812	58,006	-	-	64,812	58,006
Motor vehicles in-lieu tax	1,811	2,268	-	-	1,811	2,268
Gas tax	7,305	7,449	-	-	7,305	7,449
Local taxes:						
Business license	52,542	50,339	-	-	52,542	50,339
Utility consumption	52,524	51,426	-	-	52,524	51,426
Real estate transfer	36,205	61,505	-	-	36,205	61,505
Transient occupancy	12,400	12,303	-	-	12,400	12,303
Parking	15,747	16,202	-	-	15,747	16,202
Voter approved special tax	32,942	31,483	-	-	32,942	31,483
Franchise	13,791	13,010	-	-	13,791	13,010
License and permits	19,319	20,390	-	-	19,319	20,390
Interest and investment income	47,852	48,073	1,434	1,745	49,286	49,818
Other (1)	50,153	85,841	-	2	50,153	85,843
Total revenues	967,315	980,313	35,185	31,843	1,002,500	1,012,156
Expenses:						
General government	102,218	91,119	-	-	102,218	91,119
Public safety	412,050	366,578	-	-	412,050	366,578
Life enrichment	115,315	105,728	-	-	115,315	105,728
Community & economic development	203,406	183,968	-	-	203,406	183,968
Public works	79,348	101,075	-	-	79,348	101,075
Interest on long-term debt	74,545	79,864	-	-	74,545	79,864
Sewer	-	-	30,502	29,365	30,502	29,365
Parks and recreation	-	-	384	1,087	384	1,087
Total expenses	986,882	928,332	30,886	30,452	1,017,768	958,784
Change in net assets before transfers and special item	(19,567)	51,981	4,299	1,391	(15,268)	53,372
Transfers	600	600	(600)	(600)	-	-
Special item:						
Net resale properties from OBRA	-	59,020	-	-	-	59,020
Change in net assets	(18,967)	111,601	3,699	791	(15,268)	112,392
Net assets - beginning, as previously reported	639,785	579,234	112,059	111,268	751,844	690,502
Restatement	-	(51,050)	3,854	-	3,854	(51,050)
Net assets - beginning, as restated	639,785	528,184	115,913	111,268	755,698	639,452
Net assets at end of year	\$ 620,818	\$ 639,785	\$ 119,612	\$ 112,059	\$ 740,430	\$ 751,844

(1) Charges for services and other revenues in governmental activities were reclassified for fiscal year 2006/07 for comparison purposes.

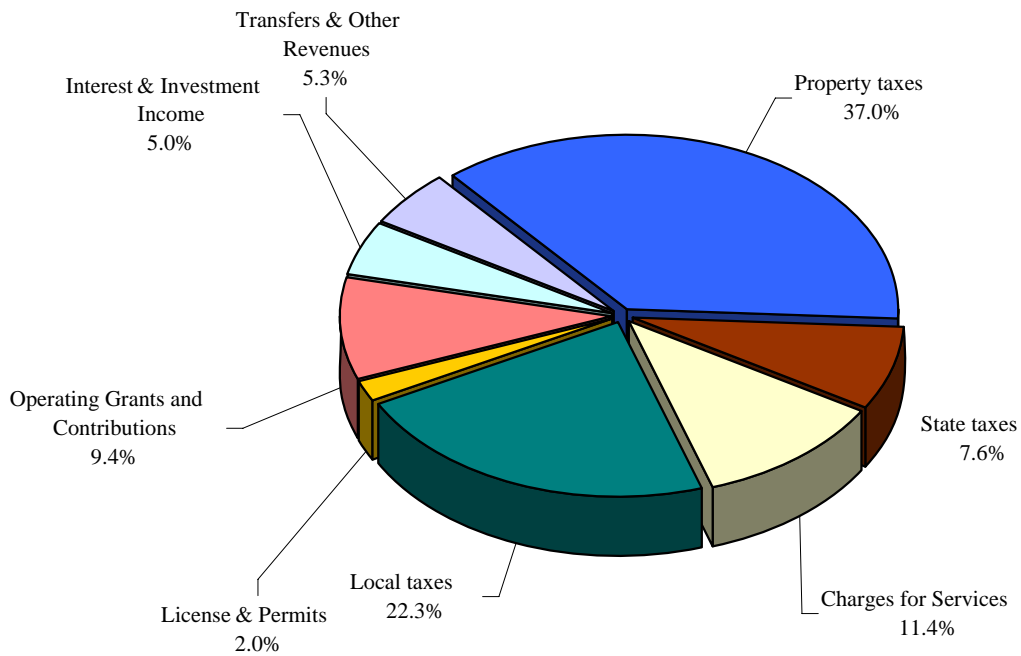
(2) The amounts for fiscal year 2006/07 have not been restated to reflect the restatement of sewer service revenues as the amounts as of June 30, 2006 were not available.

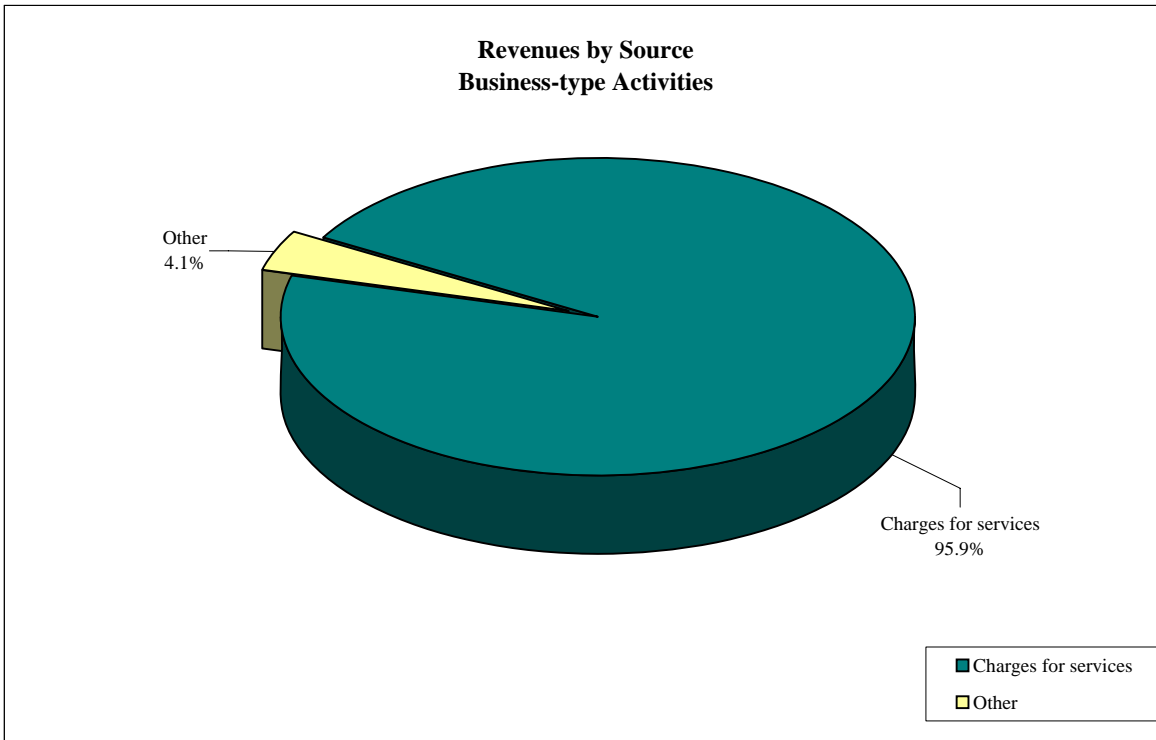
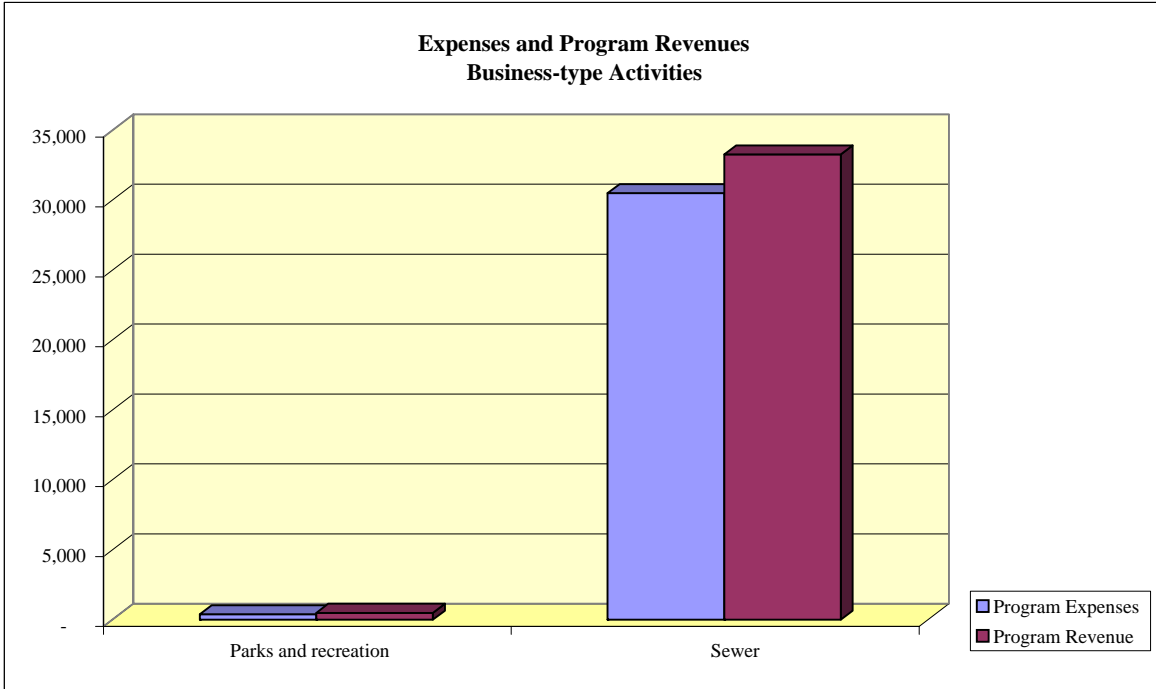
(3) The amounts for fiscal year 2006/2007 have been restated to reflect the impact of prior years actuarially required annual contributions on the Police and Fire Retirement System.

Expenses and Program Revenues Governmental Activities



Revenues by Sources Governmental Activities





Governmental activities

The decrease of \$130.6 million or 117.0 percent in the change in net assets attributed to the following significant elements:

- While the increases in property taxes of \$40.7 million or 12.8 percent was driven by enhancement in assessed property valuation within the boundaries of the City of Oakland during fiscal year 2007-08 and also an increase of charges for services by \$35.1 million or 46.6 percent; local taxes decreased by \$20.1 million or 8.5 percent primarily due to the real estate transfer tax; operating grants and contributions and other revenues decreased by 21.3 million or 19.9 percent and 15.1 million or 13.9 percent respectively.
- The increase of \$11.1 million or 12.2 percent of spending in general government when compared to the pervious year is due to personnel cost, ongoing capital projects and Other Post Employment Benefits (OPEB) cost.
- The increase of \$45.5 million or 12.4 percent of spending in public safety when compared to the previous year is due primarily to overtime costs resulting from the continuing problem of shortage in sworn staff, and the added costs to recruit new officers, conduct police academies to train and certify new recruits and OPEB cost.
- The increases in life enrichment expenses of \$9.6 million or 9.1 percent is attributed to OPEB cost, completed projects and costs related to continuing projects from previous years.
- The increases in community and economic development expenses of \$19.4 million or 10.6 percent is attributed to OPEB cost, completed projects and costs related to continuing projects from previous years and also the transfer of design and construction division from public works agency to community and economic development.
- The decrease in public works agency expenses of \$21.7 million or 21.5 percent is attributed to the transfer of design and construction division from public works agency to community and economic development.
- Interest on long-term debt decreased by \$5.3 million or 6.7 percent due to refunding of certain debts by the City.

Business-type activities. Business-type activities ended the fiscal year with a positive change in its net assets of \$3.7 million compared to \$0.8 million the previous fiscal year. The increase of \$2.9 million in net assets is attributable to \$3.4 million or 10.3 percent increase in sewer revenues offset by \$1.1 million or 3.9 percent increase in sewer project related expenses. The increase in net assets is a result of rate increases and the restatement of sewer revenues.

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's 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, 2008, its unreserved fund balance is \$121.1 million or 48.9 percent of the \$247.7 million total General Fund balance.

In 2007-08, General Fund revenues of \$541.7 million were \$5.0 million or 0.9 percent higher than 2006-07 revenues of \$536.7 million. Due to a slowing economy, the revenues have increased modestly over last year. The current year increase is due primarily to increases in property tax revenue of \$31.7 million and sales tax of \$6.4 million, offset by a decrease in real estate transfer revenue of \$25.3 million due to a slowing housing market.

In 2007-08, General Fund expenditures of \$488.5 million were \$20.2 million or 4.3 percent higher than 2006-07 expenditures of \$468.3 million. The increase in expenditures was mainly due to increases in public safety of \$13.6 million because of salaries, pension, healthcare and benefit costs.

Federal and State Fund: The Federal and State Fund had a fund balance of \$17.3 million as of June 30, 2008 that represents an increase of \$12.3 million or 243.7 percent over the prior fiscal year. The net increase of \$12.3 million was primarily attributed to a decrease in Home Loan Program and multi year grant projects expenditures for community and economic development.

Oakland Redevelopment Agency: The Oakland Redevelopment Agency had a fund balance of \$598.8 million as of June 30, 2008 that represents a modest decrease of \$2.6 million or 0.4 percent over the prior fiscal year. The net decrease of \$2.6 million was primarily attributed to \$12.4 million increase in tax increment. These increases were offset by increased project expenditures of \$12.2 million and a decrease of \$3.9 million in rents and other reimbursements revenues.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of \$68.5 million as of June 30, 2008 that represents a decrease of \$28.3 million or 29.2 percent over the prior fiscal year. The net decrease of \$28.3 million is attributed to increase in capital improvement projects expense.

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 \$111.9 million as of June 30, 2008, compared to \$109.9 million for the previous fiscal year. The \$2.0 million or 1.8 percent increase is related to proceeds spent from a debt issued to finance sewer projects. During the fiscal year, the City capitalized \$9.2 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2008, General Fund had a \$2.6 million decrease in budgeted revenues between the original and final amended operating budget. The decrease is due to decrease in other revenues. Actual budgetary basis revenues of \$541.2 million were \$6.8 million less than the final amended budget. The decrease is primarily attributed to real estate transfer tax revenue collection due to the housing market.

In addition, there was \$27.7 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 City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Actual budgetary basis expenditures of \$488.5 million were \$11.8 million less than the amended budget and \$15.9 million less than the original budget. The net budget savings is attributed to (1) the significant turnover in full time sworn officers through attrition, (2) the absorption of a certain portion of sworn officers salaries and benefits by Measure Y funds to satisfy that Measure's mandates while recruitment for additional authorized full time peace officers is in progress, and (3) the completion of carryforward projects during the fiscal year.

Capital Assets

The City's capital assets, net of depreciation, totaled \$1,045.0 million as of June 30, 2008 compared to \$990.5 million as of June 30, 2007, an increase of \$54.5 million or 5.5 percent. Governmental activities additions of \$92.2 million in capital assets included land acquisition 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 \$44.9 million in adjustments against capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by \$9.2 million, net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has active construction projects as of June 30, 2008 totaling \$180,320,388. The projects include street construction, park construction, building improvements and sewer and storm drain improvements.

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 \$1,116.2 million. The total amount of debt applicable to the debt limit was \$331.5 million. The resulting legal debt margin was \$784.7 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2008, were as follows:

Standard and Poor's Corporation	AA-
Moody's Investors Services, Inc.	A1
Fitch, JBCA, Inc.	A+

On March 21, 2008, the Standard and Poor's Corporation upgraded the City's general obligations bonds rating from A+ to AA- while affirming the stable outlook.

As of June 30, 2008, the City had total long-term obligations outstanding of \$2.02 billion compared to \$2.05 billion outstanding for the prior fiscal year, a decrease of 1.5 percent. Of this amount, \$331.5 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.7 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, 2008
(In Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 331,528	\$ 345,214	\$ -	\$ -	\$ 331,528	\$ 345,214
Tax allocation bonds	496,630	514,475	-	-	496,630	514,475
Certificate of participation	40,495	45,795	-	-	40,495	45,795
Lease revenue bonds	323,340	325,105	-	-	323,340	325,105
Pension obligation bonds	282,705	313,625	-	-	282,705	313,625
Special assessment debt with government commitments	6,200	6,800	-	-	6,200	6,800
Accreted interest on appreciation bonds	125,743	104,356	-	-	125,743	104,356
Sewer-bonds & notes payable	-	-	61,066	63,431	61,066	63,431
Less: deferred amounts						
Bond issuance premiums	32,204	22,887	2,475	2,593	34,679	25,480
Bond refunding loss	(34,658)	(20,035)	-	-	(34,658)	(20,035)
Total Bonds Payable	<u>1,604,187</u>	<u>1,658,222</u>	<u>63,541</u>	<u>66,024</u>	<u>1,667,728</u>	<u>1,724,246</u>
Notes & Leases payable	46,013	48,899	-	-	46,013	48,899
Other long-term liabilities	301,368	272,128	-	-	301,368	272,128
Total Outstanding Debt	<u><u>\$ 1,951,568</u></u>	<u><u>\$1,979,249</u></u>	<u><u>\$ 63,541</u></u>	<u><u>\$ 66,024</u></u>	<u><u>\$2,015,109</u></u>	<u><u>\$2,045,273</u></u>

The City's overall total long-term obligations decreased by \$30.2 million compared to fiscal year 2007. The net decrease is primarily attributable to the City debt principal payments and the refunding of variable bonds (Auction Rates Securities) to fixed rate bonds.

Summary of New Debt:

Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 and A-2

On April 3, 2008, the Oakland Joint Powers Financing Authority (the “JPFA”) issued its Refunding Revenue Bonds in an aggregate principal amount of \$127,960,000. This issue is comprised of a tax-exempt portion in an aggregate amount of \$107,630,000 (the “2008 Series A-1”) and a taxable portion in an aggregate amount of \$20,330,000 (the “2008 Series A-2”), (collectively, the “2008 Bonds”). The 2008 Bonds are fixed rate bonds. The 2008 Bonds were issued to (i) refund and defease all of the outstanding JPFA’s Refunding Revenue Bonds, 2005 Series A and Series B (Auction Rates Securities) and (ii) to convert the auction rates securities to fixed rate bonds. The proceeds associated with the 2008 Series A-2 were used to fund a portion of the City’s obligation to make payments to its Police and Fire Retirement System.

Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2008 Series B

On April 16, 2008, the Oakland Joint Powers Financing Authority (the “JPFA”) issued its Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B in an aggregate principal amount of \$113,450,000 (the “2008 Series B Bonds”). The 2008 Series B Bonds are tax-exempt, and fixed rate bonds. The 2008 Series Bonds were issued to (i) refund and defease all of the outstanding JPFA’s Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2004 Series A-1 and A-2 (Auction Rates Securities) (the “2004 Bonds”), (ii) to convert the auction rates securities to fixed rate bonds and (iii) to terminate two interest rate swaps associated with the 2004 Bonds.

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, were factored into the City’s budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2007-08.

The City of Oakland’s unemployment rate increased to 9.6% in June 2008 compared to an average unemployment rate of 7.4% for July 2007.

The Bay Area’s consumer price index for all urban consumers in June 2008 was 225.181 compared to the U.S. city average consumer price index (CPI-U) for all urban consumers at 218.815. (Base period: 1982 – 84 = 100).

Average forecast residential rental and vacancy rates for 2008 were \$1,410 per month and 4.5% respectively compared to \$1, 321 and 3.8% for 2007.

Oakland's gross metropolitan product, estimated at \$107.8 billion for 2004, ranks in the top 20 metropolitan economies in the United States and among the top 60 largest economy in the world.

Estimated population for January 1, 2008 is 420,183 with a total number of households of 412,926 an average household size of 2.629 persons and a per capita personal income of \$25,118..

Electric utility average total rate for commercial range from 13.764 to 16.528 cents per kilowatt hour while industrial average total rate are from 8.230 to 11.475 cents per kilowatt hour.

Increases in expenditures due to new union contracts, CalPERS pension rates, and healthcare costs have been factored into the City's Fiscal Year 2007-08 budget without raising or imposing new taxes.

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.

BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Assets
June 30, 2008
(In Thousands)

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Port of Oakland
ASSETS				
Cash and investments	\$ 408,412	\$ 3,926	\$ 412,338	\$ 88,720
Receivables (net of allowance for uncollectibles of \$6,894 for City and \$2,079 for Port):				
Accrued interest	2,080	-	2,080	407
Property taxes	25,261	-	25,261	-
Accounts receivable	64,134	8,235	72,369	50,619
Grants receivable	12,239	-	12,239	-
Due from Port	11,421	-	11,421	-
Internal balances	1,177	(1,177)	-	-
Inventories	1,136	-	1,136	-
Restricted assets:				
Cash and investments	669,220	29,197	698,417	119,309
Receivables	-	-	-	3,839
Property held for resale	121,735	-	121,735	-
Notes and loans receivable (net of allowance for uncollectibles of \$49,941 for the City)	257,741	-	257,741	-
Other	36	-	36	86,851
Capital assets:				
Land and other assets not being depreciated Facilities, infrastructures, and equipment net of depreciation	131,696	10,542	142,238	616,781
Unamortized bond issuance costs	767,621	135,189	902,810	1,723,532
Net pension asset	16,917	627	17,544	-
Net pension asset	275,281	-	275,281	-
TOTAL ASSETS	<u>2,766,107</u>	<u>186,539</u>	<u>2,952,646</u>	<u>2,690,058</u>
LIABILITIES				
Accounts payable and other current liabilities	145,122	3,178	148,300	44,119
Accrued interest payable	15,691	176	15,867	18,105
Due to other governments	15,350	-	15,350	-
Due to primary government	-	-	-	11,421
Unearned revenue	6,442	26	6,468	66,057
Matured bonds and interest payable	520	-	520	-
Other	10,596	6	10,602	44,959
Non-current liabilities:				
Due within one year	173,473	2,554	176,027	36,241
Due in more than one year	1,778,095	60,987	1,839,082	1,545,358
TOTAL LIABILITIES	<u>2,145,289</u>	<u>66,927</u>	<u>2,212,216</u>	<u>1,766,260</u>
NET ASSETS (deficit)				
Invested in capital assets, net of related deb	401,881	111,881	513,762	877,126
Restricted net assets:				
Debt service	14,220	-	14,220	15,241
Pension	131,367	-	131,367	-
Urban redevelopment and housing	174,627	-	174,627	-
Other purposes	16,694	-	16,694	12,692
Unrestricted net assets (deficit)	(117,971)	7,731	(110,240)	18,739
TOTAL NET ASSETS	<u>\$ 620,818</u>	<u>\$ 119,612</u>	<u>\$ 740,430</u>	<u>\$ 923,798</u>

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

City of Oakland
Statement of Activities
Year Ended June 30, 2008
(In Thousands)

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit Port of Oakland
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 102,218	\$ 22,276	\$ 4,667	\$ -	\$ (75,275)	\$ -	\$ (75,275)	
Public safety	412,050	10,331	7,173	-	(394,546)	-	(394,546)	
Life enrichment	115,315	5,110	26,923	-	(83,282)	-	(83,282)	
Community and economic development	203,406	45,466	49,137	-	(108,803)	-	(108,803)	
Public works	79,348	27,113	3,378	-	(48,857)	-	(48,857)	
Interest on long-term debt	74,545	-	-	-	(74,545)	-	(74,545)	
TOTAL GOVERNMENTAL ACTIVITIES	986,882	110,296	91,278	-	(785,308)	-	(785,308)	
Business-type activities:								
Sewer	30,502	33,264	-	-	-	2,762	2,762	
Parks and recreation	384	487	-	-	-	103	103	
TOTAL BUSINESS-TYPE ACTIVITIES	30,886	33,751	-	-	-	2,865	2,865	
TOTAL PRIMARY GOVERNMENT	\$ 1,017,768	\$ 144,047	\$ 91,278	\$ -	\$ (785,308)	\$ 2,865	\$ (782,443)	
Component unit:								
Port of Oakland	\$ 335,070	\$ 299,883	\$ -	\$ 27,092				\$ (8,095)
General revenues:								
Property taxes					358,338	-	358,338	-
State taxes:								
Sales and use taxes					64,812	-	64,812	-
Motor vehicle in-lieu tax					1,811	-	1,811	-
Gas tax					7,305	-	7,305	-
Local taxes:								
Business license					52,542	-	52,542	-
Utility consumption					52,524	-	52,524	-
Real estate transfer					36,205	-	36,205	-
Transient occupancy					12,400	-	12,400	-
Parking					15,747	-	15,747	-
Voter approved special tax					32,942	-	32,942	-
Franchise					13,791	-	13,791	-
License and permits					19,319	-	19,319	-
Interest and investment income					47,852	1,434	49,286	13,145
Other					50,153	-	50,153	21,499
Transfers					600	(600)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					766,341	834	767,175	34,644
Changes in net assets					(18,967)	3,699	(15,268)	26,549
NET ASSETS - BEGINNING, AS PREVIOUSLY REPORTED					708,977	112,059	821,036	897,249
Restatement of net pension asset					(69,192)	-	(69,192)	-
Restatement of sewer service revenue					-	3,854	3,854	-
Net Assets - Beginning, as restated					639,785	115,913	755,698	897,249
NET ASSETS - ENDING					\$ 620,818	\$ 119,612	\$ 740,430	\$ 923,798

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

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2008
(In Thousands)

	<u>General</u>	<u>Federal/State Grant Fund</u>	<u>Oakland Redevelopment Agency</u>	<u>Municipal Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$110,735	\$ -	\$ 227,767	\$ 77	\$ 69,769	\$ 408,348
Receivables (net of allowance for uncollectibles of \$3,867):						
Accrued interest	297	81	1,348	18	336	2,080
Property taxes	14,182	1,678	2,074	-	7,327	25,261
Accounts receivable	41,751	4,551	2,577	165	14,936	63,980
Grants receivable	-	11,685	-	-	554	12,239
Due from component unit	11,083	-	-	-	338	11,421
Due from other funds	81,170	174	14,772	-	4,000	100,116
Notes and loans receivable (net of allowance for uncollectibles of \$49,941)	21,875	96,291	116,429	-	23,146	257,741
Restricted cash and investments	131,696	11,652	282,373	70,479	168,310	664,510
Property held for resale	-	-	121,735	-	-	121,735
Other	36	-	-	-	-	36
TOTAL ASSETS	<u>\$412,825</u>	<u>\$ 126,112</u>	<u>\$ 769,075</u>	<u>\$ 70,739</u>	<u>\$ 288,716</u>	<u>\$1,667,467</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$124,284	\$ 6,461	\$ 3,938	\$ 1,062	\$ 7,697	\$ 143,442
Due to other funds	8,431	6,332	12,579	-	22,564	49,906
Due to other governments	80	257	15,013	-	-	15,350
Deferred revenue	31,467	95,722	134,650	-	28,540	290,379
Matured bonds and interest payable	-	-	-	520	-	520
Other	879	9	4,087	612	5,009	10,596
TOTAL LIABILITIES	<u>165,141</u>	<u>108,781</u>	<u>170,267</u>	<u>2,194</u>	<u>63,810</u>	<u>510,193</u>
Fund balances						
Reserved:						
Encumbrances	6,193	28,230	-	4,752	18,715	57,890
Long-term receivables	-	-	1,292	-	-	1,292
Debt service	15,382	16,280	-	746	162,527	194,935
Property held for resale	-	-	121,735	-	-	121,735
Capital projects	-	-	474,037	-	-	474,037
Pension obligations	105,000	-	-	-	-	105,000
Unreserved/(deficit) reported in:						
General fund	121,109	-	-	-	-	121,109
Special revenue funds	-	(27,179)	-	-	35,308	8,129
Capital project funds	-	-	1,744	63,047	8,356	73,147
TOTAL FUND BALANCES	<u>247,684</u>	<u>17,331</u>	<u>598,808</u>	<u>68,545</u>	<u>224,906</u>	<u>1,157,274</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$412,825</u>	<u>\$ 126,112</u>	<u>\$ 769,075</u>	<u>\$ 70,739</u>	<u>\$ 288,716</u>	<u>\$1,667,467</u>

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, 2008
(In Thousands)

Fund balances - total governmental funds	\$ 1,157,274
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not a financial resource and therefore, are not reported in the funds.

Primary government capital assets, net of depreciation	\$ 899,317	
Less: internal service funds' capital assets, net of depreciation	<u>(19,001)</u>	880,316

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.

16,917

Net pension assets are 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.

275,281

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	\$ (15,691)	
Add: Interest payable on long-term debt for internal service fund	<u>97</u>	(15,594)

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.

283,937

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Long-term liabilities	\$ (1,951,568)	
Less: long-term liabilities for internal service funds	<u>10,841</u>	(1,940,727)

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.

(36,586)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 620,818

The note 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
Year Ended June 30, 2008
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 201,765	\$ -	\$ 121,784	\$ -	\$ 34,525	\$ 358,074
State:						
Sales and use	53,090	-	-	-	11,722	64,812
Motor vehicle in-lieu	1,811	-	-	-	-	1,811
Gas	-	-	-	-	7,305	7,305
Local:						
Business license	52,542	-	-	-	-	52,542
Utility consumption	52,524	-	-	-	-	52,524
Real estate transfer	36,205	-	-	-	-	36,205
Transient occupancy	12,400	-	-	-	-	12,400
Parking	8,524	-	-	-	7,223	15,747
Voter approved special tax	-	11,825	-	-	21,117	32,942
Franchise	13,791	-	-	-	-	13,791
Licenses and permits	1,612	-	-	-	17,707	19,319
Fines and penalties	21,653	124	-	-	1,720	23,497
Interest and investment income	10,885	1,764	20,333	3,162	13,750	49,894
Charges for services	55,048	74	5,893	-	15,720	76,735
Other intergovernmental revenues	-	-	-	-	33,561	33,561
Federal and state grants and subventions	5,935	82,023	3,810	6	2,654	94,428
Annuity income	2,495	-	-	-	-	2,495
Other	11,441	1,918	2,991	458	4,897	21,705
TOTAL REVENUES	541,721	97,728	154,811	3,626	171,901	969,787
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	3,172	-	-	1	602	3,775
Council	4,423	-	-	1,271	1,447	7,141
City Administrator	11,459	752	-	640	3,365	16,216
City Attorney	10,112	77	-	-	5,022	15,211
City Auditor	1,230	-	-	-	53	1,283
City Clerk	1,906	-	-	-	68	1,974
Agencies/Departments:						
Personnel Resource Management	6,135	-	-	-	1,383	7,518
Information Technology	11,263	161	-	834	1,408	13,666
Financial Services	26,658	255	-	-	1,330	28,243
Contracting and Purchasing	1,997	-	-	-	283	2,280
Police Services	203,954	5,533	-	65	16,341	225,893
Fire Services	106,006	2,254	-	1,667	8,502	118,429
Life Enrichment:						
Parks and Recreation	16,907	46	-	83	3,836	20,872
Library	11,817	11,962	-	10	44	23,833
Cultural Arts and Museum	6,561	7	-	-	315	6,883
Aging & Health and Human Services	6,334	28,783	-	2	21,120	56,239
Community and Economic Development	8,161	16,706	109,587	9,722	62,732	206,908
Public Works	32,499	2,620	-	1,961	34,891	71,971
Other	9,115	-	1,398	-	84	10,597
Capital outlay	6,718	14,325	-	14,797	10,472	46,312
Debt service:						
Principal repayment	1,069	810	17,845	865	72,351	92,940
Bond termination payments	-	-	-	-	5,674	5,674
Bond issuance costs	268	-	-	-	3,942	4,210
Interest charges	733	1,149	28,542	46	41,058	71,528
TOTAL EXPENDITURES	488,497	85,440	157,372	31,964	296,323	1,059,596
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	53,224	12,288	(2,561)	(28,338)	(124,422)	(89,809)
OTHER FINANCING SOURCES (USES)						
Issuance of refunding bonds:						
Premiums on issuance of bonds	-	-	-	-	241,410	241,410
Payment to refunding bond escrow agent	-	-	-	-	(221,250)	(221,250)
Property sale proceeds	4,044	1	-	-	-	4,045
Transfers in	3,600	-	-	-	95,091	98,691
Transfers out	(95,091)	-	-	-	(3,000)	(98,091)
TOTAL OTHER FINANCING SOURCES (USES)	(87,447)	1	-	-	123,564	36,118
NET CHANGE IN FUND BALANCES	(34,223)	12,289	(2,561)	(28,338)	(858)	(53,691)
Fund balances - beginning	281,907	5,042	601,369	96,883	225,764	1,210,965
FUND BALANCES - ENDING	\$ 247,684	\$ 17,331	\$ 598,808	\$ 68,545	\$ 224,906	\$ 1,157,274

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
Year Ended June 30, 2008
(In Thousands)

Net change in fund balances - total governmental funds		\$ (53,691)																														
<p>Amounts reported for governmental activities in the statement of activities are different because:</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 exceeds depreciation in the current period.</p> <p>Primary government:</p> <table border="0" style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 60%;">Capital asset acquisition</td> <td style="width: 10%; text-align: right;">\$ 92,150</td> <td style="width: 10%;"></td> </tr> <tr> <td>Retirement of capital assets</td> <td style="text-align: right;">(27)</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(47,179)</td> <td></td> </tr> <tr> <td>Net changes of capital assets within internal service funds</td> <td style="text-align: right; border-top: 1px solid black;">318</td> <td style="text-align: right;">45,262</td> </tr> </table> <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> <p>Some expenses such as claims, vacations and sick leave reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.</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>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 bond issuance costs exceeded amortization expense in the current period.</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%; margin-left: 20px;"> <tr> <td style="width: 60%;">Debt and capital lease principal payments</td> <td style="width: 10%; text-align: right;">\$ 92,940</td> <td style="width: 10%;"></td> </tr> <tr> <td>Payments to escrow agent for refunded debt</td> <td style="text-align: right;">221,250</td> <td></td> </tr> <tr> <td>Issuance of bonds and notes</td> <td style="text-align: right;">(241,410)</td> <td></td> </tr> <tr> <td>Drawdowns on EEC HUD 108 notes</td> <td style="text-align: right;">(2,605)</td> <td></td> </tr> <tr> <td>Premium on bond proceeds</td> <td style="text-align: right;">(11,313)</td> <td></td> </tr> <tr> <td>Bond termination payments</td> <td style="text-align: right; border-top: 1px solid black;">5,674</td> <td style="text-align: right;">64,536</td> </tr> </table> <p>Amortization of bond premiums</p> <p>Amortization of refunding loss</p> <p>Additional accrued and accreted interest calculated on bonds and notes payable</p> <p>Principal payments of Coliseum Authority pledge obligation</p> <p>Net changes on other long-term liability for mandated Alameda County environmental clean-up health costs</p> <p>Net changes on post employment benefits other than pension benefits (OPEB)</p> <p>The net loss of activities of internal service funds is reported with governmental activities</p>			Capital asset acquisition	\$ 92,150		Retirement of capital assets	(27)		Depreciation	(47,179)		Net changes of capital assets within internal service funds	318	45,262	Debt and capital lease principal payments	\$ 92,940		Payments to escrow agent for refunded debt	221,250		Issuance of bonds and notes	(241,410)		Drawdowns on EEC HUD 108 notes	(2,605)		Premium on bond proceeds	(11,313)		Bond termination payments	5,674	64,536
Capital asset acquisition	\$ 92,150																															
Retirement of capital assets	(27)																															
Depreciation	(47,179)																															
Net changes of capital assets within internal service funds	318	45,262																														
Debt and capital lease principal payments	\$ 92,940																															
Payments to escrow agent for refunded debt	221,250																															
Issuance of bonds and notes	(241,410)																															
Drawdowns on EEC HUD 108 notes	(2,605)																															
Premium on bond proceeds	(11,313)																															
Bond termination payments	5,674	64,536																														
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ (18,967)																														

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

CITY OF OAKLAND
Statement of Fund Net Assets
Proprietary Funds
June 30, 2008
(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>Recreation</u>		<u>Funds</u>
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 3,926	\$ 3,926	\$ 64
Accounts receivables (net of uncollectibles of \$2,578 and \$449) for the enterprise funds and internal service funds, respectively)	8,218	17	8,235	154
Due from other funds	-	-	-	74
Inventories	-	-	-	1,136
Restricted cash and investments	29,064	133	29,197	4,710
Total Current Assets	<u>37,282</u>	<u>4,076</u>	<u>41,358</u>	<u>6,138</u>
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	9,785	757	10,542	310
Facilities and equipment, net of depreciation	133,532	1,657	135,189	18,691
Total capital assets	143,317	2,414	145,731	19,001
Unamortized bond issuance costs	627	-	627	-
Total Non-current Assets	<u>143,944</u>	<u>2,414</u>	<u>146,358</u>	<u>19,001</u>
TOTAL ASSETS	<u>181,226</u>	<u>6,490</u>	<u>187,716</u>	<u>25,139</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	2,921	257	3,178	1,680
Accrued interest payable	176	-	176	97
Due to other funds	1,177	-	1,177	49,107
Unearned revenue	26	-	26	-
Other payables	6	-	6	-
Bonds and notes payables	2,554	-	2,554	3,035
Total Current Liabilities	<u>6,860</u>	<u>257</u>	<u>7,117</u>	<u>53,919</u>
Non-current Liabilities:				
Bonds and notes payables	60,987	-	60,987	7,806
Total Non-current Liabilities	<u>60,987</u>	<u>-</u>	<u>60,987</u>	<u>7,806</u>
TOTAL LIABILITIES	<u>67,847</u>	<u>257</u>	<u>68,104</u>	<u>61,725</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	109,467	2,414	111,881	8,160
Unrestricted (deficit)	3,912	3,819	7,731	(44,746)
TOTAL NET ASSETS (DEFICIT)	<u>\$ 113,379</u>	<u>\$ 6,233</u>	<u>\$ 119,612</u>	<u>\$ (36,586)</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
Year Ended June 30, 2008
(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>
OPERATING REVENUES				
Rental	\$ -	\$ 386	\$ 386	\$ -
Sewer services	33,196	-	33,196	-
Charges for services	-	-	-	41,477
Other	68	101	169	94
TOTAL OPERATING REVENUES	<u>33,264</u>	<u>487</u>	<u>33,751</u>	<u>41,571</u>
OPERATING EXPENSES				
Personnel	13,210	108	13,318	20,758
Supplies	420	2	422	7,533
Depreciation and amortization	4,068	174	4,242	4,337
Contractual services and supplies	1,154	25	1,179	586
Repairs and maintenance	67	-	67	3,066
General and administrative	4,284	27	4,311	5,271
Rental	1,496	48	1,544	1,818
Other	2,869	-	2,869	7,413
TOTAL OPERATING EXPENSES	<u>27,568</u>	<u>384</u>	<u>27,952</u>	<u>50,782</u>
OPERATING INCOME (LOSS)	<u>5,696</u>	<u>103</u>	<u>5,799</u>	<u>(9,211)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income	1,272	162	1,434	35
Interest expense	(2,934)	-	(2,934)	(2,116)
Other, net	-	-	-	446
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,662)</u>	<u>162</u>	<u>(1,500)</u>	<u>(1,635)</u>
INCOME (LOSS) BEFORE TRANSFERS	4,034	265	4,299	(10,846)
Transfers in	-	-	-	1,278
Transfers out	(600)	-	(600)	(1,278)
TOTAL TRANSFERS	<u>(600)</u>	<u>-</u>	<u>(600)</u>	<u>-</u>
Change in net assets (deficit)	<u>3,434</u>	<u>265</u>	<u>3,699</u>	<u>(10,846)</u>
Net Assets (deficit) - Beginning, as previously reported	106,091	5,968	112,059	(25,740)
Restatement of sewer service revenue	3,854	-	3,854	-
Net Assets (deficit) - Beginning, as restated	<u>109,945</u>	<u>5,968</u>	<u>115,913</u>	<u>(25,740)</u>
NET ASSETS (DEFICIT) - ENDING	<u>\$ 113,379</u>	<u>\$ 6,233</u>	<u>\$ 119,612</u>	<u>\$ (36,586)</u>

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, including other funds and cash deposits	\$ 32,328	\$ -	\$ 32,328	\$ 41,449
Cash received from tenants for rents	-	401	401	-
Cash from other sources	68	-	68	94
Cash paid to employees for services	(13,210)	(108)	(13,318)	(20,758)
Cash paid to suppliers for goods and services	(8,996)	246	(8,750)	(26,999)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>10,190</u>	<u>539</u>	<u>10,729</u>	<u>(6,214)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	9,521
Repayment of interfund loans	(2,239)	-	(2,239)	(120)
Interest paid on interfund loans	-	-	-	(1,566)
Transfers in	-	-	-	1,278
Transfers out	(600)	-	(600)	(1,278)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(2,839)</u>	<u>-</u>	<u>(2,839)</u>	<u>7,835</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(13,302)	(578)	(13,880)	(4,019)
Other non-operating receipts	-	-	-	446
Long-term debt:				
Repayment of long-term debt	(2,365)	-	(2,365)	(2,907)
Interest paid on long-term debt	(3,052)	-	(3,052)	(550)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(18,719)</u>	<u>(578)</u>	<u>(19,297)</u>	<u>(7,030)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	1,272	162	1,434	35
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,096)	123	(9,973)	(5,374)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	39,160	3,936	43,096	10,148
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 29,064</u>	<u>\$ 4,059</u>	<u>\$ 33,123</u>	<u>\$ 4,774</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 5,696	\$ 103	\$ 5,799	\$ (9,211)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	4,068	174	4,242	4,337
Changes in assets and liabilities:				
Receivables	(868)	15	(853)	(79)
Inventories	-	-	-	92
Due from other funds	-	-	-	(19)
Accounts payable and accrued liabilities	1,293	247	1,540	(1,334)
Unearned revenue	1	-	1	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 10,190</u>	<u>\$ 539</u>	<u>\$ 10,729</u>	<u>\$ (6,214)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	\$ -	\$ 3,926	\$ 3,926	\$ 64
Restricted cash and investments	29,064	133	29,197	4,710
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 29,064</u>	<u>\$ 4,059</u>	<u>\$ 33,123</u>	<u>\$ 4,774</u>
NON CASH ITEM:				
Amortization of bond premiums	\$ (118)	\$ -	\$ (118)	\$ -

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, 2008
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ASSETS		
Cash and investments	\$ 4,715	\$ 6,569
Receivables:		
Accrued interest and dividends	1,499	21
Investments and contributions	28,635	-
Restricted:		
Cash and investments:		
Short-term investments	39,888	-
U.S. government bonds	72,540	-
U.S. Corporate bonds	75,488	-
Domestic equities and mutual funds	258,251	-
International equities and mutual funds	79,064	-
Real estate mortgage loans	50	-
Total restricted cash and investments	525,281	-
Securities lending collateral	89,147	-
TOTAL ASSETS	649,277	6,590
LIABILITIES		
Accounts payable and accrued liabilities	71,835	22
Securities lending collateral	89,147	-
Other	-	8
TOTAL LIABILITIES	160,982	30
NET ASSETS		
Net assets held in trust	\$ 488,295	\$ 6,560

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
Year Ended June 30, 2008
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	\$ 14	\$ -
Other contributions	-	325
Total contributions	14	325
Trust receipts	-	966
Investment income:		
Net depreciation in fair value of investments	(48,029)	-
Interest	11,055	235
Dividends	5,839	-
Securities lending	2,516	-
TOTAL INVESTMENT INCOME (LOSS)	(28,619)	235
Less investment expenses:		
Investment expenses	(2,640)	-
Borrowers rebates and other agent fees on securities lending transactions	(2,208)	-
Total investment expenses	(4,848)	-
NET INVESTMENT INCOME (LOSS)	(33,467)	235
Other income	125	-
TOTAL ADDITIONS (DEDUCTIONS)	(33,328)	1,526
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	46,009	-
Disability	27,396	-
Death	2,381	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	75,786	-
Administrative expenses	1,054	86
Change in payable to City	(4,205)	-
Other	-	83
Police services	-	1,257
TOTAL DEDUCTIONS	72,635	1,426
Change in net assets	(105,963)	100
NET ASSETS - BEGINNING	594,258	6,460
NET ASSETS - ENDING	\$ 488,295	\$ 6,560

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

THIS PAGE LEFT INTENTIONALLY BLANK

